City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Clerk: Gail Johnson

Wednesday, March 06, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:39 p.m.

011994 **[Reserved Funds, Fire Department]**

Hearing to request release of reserved funds, Fire Department (Fiscal Year 2001-02), in the total amount of $4,389,086 for the following: Treasure Island Lease Payment-$1,764,000; Chief's Aide's Salaries/Fringes-$1,000,286; and Overtime-$1,624,800. (Fire Department)

11/29/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mario Trevino, Chief, Fire Department. Release of reserved funds in the amount of $2,764,286 approved ($1,764,000 for Treasure Island Lease Payment and $1,000,286 for Chief's Aide's Salaries/Fringes).

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020147 **[Lease of SFPUC Property for Hotel Parking and Recreation Purposes]**

Resolution authorizing a Ten (10) Year Lease of Public Utilities Commission Land between the City and County of San Francisco and Los Altos Hotel Associates, in Santa Clara County. (Public Utilities Commission)

2/13/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst: Garrett Dowd, Director, Bureau of Commercial Land Management, Public Utilities Commission.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020317 **[Reserved Funds, Department of Public Health]**

Supervisor Hall

Hearing to request release of reserved funds, Department of Public Health (File 011096, Resolution No. 576-01), in the amount of $60,000 to fund the department's substance abuse treatment programs. (Public Health Department)

2/15/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst: Alice Gleghorn, Director of Research, Community Health Substance Abuse, Department of Public Health, Release of reserved funds in the amount of $60,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

011216 **[Long-term Power Contract with Calpine Energy]**

Supervisors Peskin, Daly

Hearing to examine the long-term contract entered into by the City and County of San Francisco and Calpine Energy on May 7, 2001.

6/25/01, RECEIVED AND ASSIGNED to Audit, Labor and Government Efficiency Committee.

10/9/01, CONTINUED. Continued to October 23, 2001.

10/23/01, CONTINUED. Continued to November 13, 2001.

11/13/01, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Supervisor Peskin; Ed Smelloff, Public Utilities Commission (PUC); Supervisor Newsom; Laurie Park, General Manager, Hetch Hetchy; Supervisor McGoldrick; Supervisor Daly.

1/28/02, TRANSFERRED to Public Works and Public Protection Committee. new committee structure, 2/1/02.

2/11/02, TRANSFERRED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: John Jenkel; John Bardis. Continued to 3/6/02.

Heard in Committee. Speakers: Edward Smeloff, Assistant General Manager, Power Policy, Public Utilities Commission; John Jenkel; Theodore Lakey, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020086 **[Legislative Analyst and Budget Analyst; Budget Consideration]**

Supervisor Ammiano

Motion directing the Office of the Legislative Analyst to pursue training from the City Controller and the Board of Supervisors Budget Analyst in how the City budget and budget process work; to coordinate with the Budget Analyst to review recent audits published by the Budget Analyst and the Controller to identify cost-saving measures identified in audits and other reports that have not been implemented; to provide staff support to policy and fiscal committees of the Board of Supervisors during hearings on budget-related matters; to prioritize such work over Board-approved motions or individual requests received by the Office until the FY 02-03 budget is approved by the Board of Supervisors and directing the Board of Supervisors Budget Analyst to coordinate with the Office of the Legislative Analyst on budget-related work and setting forth a consent calendar procedure for Board Committees such that the Budget Analyst's reports on consent matters can be substantially reduced in order to provide additional Budget Analyst staff time to budget-related matters.

1/14/02, RECEIVED AND ASSIGNED to Rules Committee.

1/28/02, TRANSFERRED to Finance Committee. Transferred pursuant to new committee structure.

3/4/02, SUBSTITUTED. Supervisor Ammiano submitted a substitute motion bearing new title.

3/4/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Theodore Lakey, Deputy City Attorney; John Jenkel; Josh Kaufman.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Motion directing the Office of the Legislative Analyst to pursue training from the City Controller and the Board of Supervisors Budget Analyst in how the City budget and budget process work; to coordinate with the Budget Analyst to review recent audits published by the Budget Analyst and the Controller to identify cost-saving measures identified in audits and other reports that have not been implemented; to provide staff support to policy and fiscal committees of the Board of Supervisors during hearings on budget-related matters; to prioritize such work over Board-approved motions or individual requests received by the Office until the FY 02-03 budget is approved by the Board of Supervisors and directing the Board of Supervisors Budget Analyst to coordinate with the Office of the Legislative Analyst on budget-related work; to continue to review the Mayor's balanced budget proposal in the month of June; to create a consent calendar procedure for Board Committees such that the Budget Analyst's reports on consent matters can be substantially reduced in order to provide additional Budget Analyst staff time to budget-related matters; and to explore other changes to its annual budget review designed to enhance the Board's budget review process.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020176 [Formulation of Department Budget]

Supervisor Peskin

Hearing to address the formulation of Departmental budgets for three finance related departments.

1/28/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Susan Leal, Treasurer; Edward Harrington, Controller; John Scott, Assistant Assessor-Recorder; Greg Diaz, Chief Deputy Assessor-Recorder.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 3:10 p.m.

5

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 28, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: March 6, 2002 Finance Committee Meeting

Item 1 – File 01-1994

Department: Fire

Item: Hearing to consider the release of reserved funds for the Fire Department in the amount of $4,389,086 to fund (a) the Fire Departments Rental Payment to Treasure Island for the Fire Department's use of training facilities at Treasure Island, (b) Chief's Operators' Salaries and Related Mandatory Fringe Benefits, and (c) Overtime expenditures.

Amount: $4,389,086

Source of Funds: Reserved General Fund monies in the Fire Department's FY 2001-2002 budget

Description: The Board of Supervisors placed on reserve $4,389,086 in the Fire Department's FY 2001-2002 General Fund budget as follows:

Item	Amount
Overtime	$1,624,800
10 H10 Chiefs Operator Positions	1,000,286
Rental Payment for Fire Department Training at Treasure Island	1,764,000
Total	$4,389,086

Reserve for Treasure Island Lease Rental Payment for Fire Department Training - $1,764,000

The Fire Department currently subleases training facilities at Treasure Island. The Finance Committee recommended and the full Board of Supervisors approved a reserve of $1,764,000 in the Fire Department's FY 2001-2002 budget for the annual rental payment to Treasure Island for training facilities used by the Fire Department, at Treasure Island. The Finance Committee raised questions concerning the potential for establishing one consolidated fire training facility for the Fire Department at Treasure Island.

The Budget Analyst's recent Management Audit Report of the Fire Department, issued on January 22, 2002, notes that the Treasure Island facility is a possible site, for a consolidated training facility (see Comment No. 2). The Budget Analyst recommended that this issue be examined in greater detail as part of a recommended cost benefit assessment of alternatives for centralized training to be performed by the Fire Department.

Reserve for 10 H10 Chief's Operator Positions - $1,000,286

The Fire Department's FY 2001-2002 budget includes 50 exempt H10 Chief's Operators. The Finance Committee recommended and the full Board of Supervisors approved a reserve of $1,000,286 in the Fire Department's FY 2002-2002 budget on the Salaries and Mandatory Fringe Benefits of 10 H10 Chief's Operator positions. The Budget Analyst did not recommend the deletion of any Chief's Operators positions in the Fire Department Management Audit. However, the Management Audit recommended that the Chief of the Fire Department consider reductions in the suppression command staff as he completes a strategic plan of reorganization of the Fire Department.

Reserve for Fire Department Overtime - $1,624,800

The Budget Analyst recommended a reserve of $1,624,800 be placed on Fire Department Overtime in the Department's FY 2001-2002 budget. This recommendation was accepted by the Finance Committee and the full Board of Supervisors. The amount of Overtime reserved represented 80 percent of the

Department's Overtime budget increase for FY 2001-2002 of $2,000,000 for Suppression, resulting in a reserve of $1,600,000 plus Mandatory Fringe Benefits of $24,800 for Social Security Medicare Taxes. Prior to release of the subject reserve, the Fire Department was instructed by the Finance Committee to submit a report to the Board of Supervisors as to the steps taken by the Department to maintain the fully funded minimum daily staffing requirement of 354 firefighters with permanent positions for suppression and Emergency Medical Services which would alleviate the need for some of the Department's Overtime expenditures. The Fire Department has not submitted such a report as of the writing of this report (see Comment No. 4).

The table below is a projection of the Fire Department's Overtime expenditures and total expenditures for Salaries and Mandatory Fringe Benefits expenditures (including Overtime) for the remainder of Fiscal Year 2001-2002 provided by the Controller's Office. This is a straight line projection based on expenditures to date against all funds appropriated for Salaries and Mandatory Fringe Benefits, including the reserved funds on Overtime and on the Chief's Operator positions.

Controller's Projection of Fire Department General Fund Expenditures for Overtime and total Salaries and Mandatory Fringe Benefits based on Expenditures through January 18, 2002

	FY 2001-2002 Revised Budget	Actual Expenditures Through Pay Period Ending 1/18/2002	Projected Expenditures Through June 30, 2002 *	Projected Surplus (Deficit)
Overtime	$9,433,169	$ 5,033,585	$9,170,937	$ 262,232
All Salaries and Fringe Benefits Including Overtime	$173,407,177**	93,445,563	170,985,918	$ 2,421,259

* Projection based on actual spending through January 18, 2002, and projected spending for the remainder of the Fiscal Year, using average pay period method.

** Total salaries and fringe benefits budget amount includes all funds appropriated including the reserved amount of $1,000,286 for 10 Chief's Operator positions and $1,624,800 for Overtime.

As shown in the table above, the proposed release of $1,624,800 in reserved funds for Overtime would result in a projected year-end surplus of $2,421,259 as detailed below for all Salaries and Mandatory Fringe Benefits, including Overtime:

Account	Surplus (Deficit)
Permanent Salaries	$2,504,036
Temporary Salaries, Premium, One-Time Retirement Buyouts and Holiday Pay	(766,280)
Mandatory Fringe Benefits	421,271
Overtime	262,232
Total	**$2,421,259**

As shown in the table above, since a net surplus of $2,421,259 in Salaries and Mandatory Fringe Benefits, including Overtime, results from the Controller's straight line projections, the subject requested $1,624,800 in reserved funds for Overtime should not be released at this time, and should be returned to the General Fund at yearend unless the Fire Department subsequently justifies the need for additional Overtime prior to June 30, 2002.

Contrary to the Controller's projections, the Fire Department's current spending plan for the remainder of FY 2001-2002 projects substantial increases in Overtime spending over the remainder of the current fiscal year. Overall, the Fire Department is projecting a budget deficit of $563,615 for Salaries and Mandatory Fringe Benefits, including Overtime instead of realizing a surplus of $2,421,259 based on the Controllers straight line projections. According to Ms. Christine Ragan of the Fire Department, the Fire Department's projected need for an additional $563,615 in excess of this subject request of $1,624,800 has been caused primarily from the recently approved Memoranda of Understanding which granted total Firefighter salary increases of eight percent during FY 2001-2002.

The Budget Analyst has analyzed the Fire Department's actual Overtime expenditures for all of Fiscal Year 2000-2001 and for Fiscal Year 2001-2002 to date. Contrary to the Fire Department projections and consistent with the Controller's straight line projections, the Budget Analyst has concluded that a projected surplus, and not a deficit, in Salaries and Mandatory Fringe

Benefits, including Overtime, is likely to occur, based in part on the following:

- The current-year budget was previously revised, as approved by the Board of Supervisors, to reflect the addition of funds from the General Fund Salaries and Benefits Reserve for the MOU-approved salary increases for Fire Department personnel.

- After 15 pay periods in the current year representing 57.7 percent of the 26 pay periods, the Department has spent $5,033,585 for Overtime or 53.4 percent of the $9,433,169 budget for Overtime;

- At this same time last fiscal year, the Department had spent $8,362,375 or 74.1 percent of that year's total Overtime expenditures of $11,290,160.

Attachment I to this report is a table and chart of FY 2000-2001 Overtime expenditures compared to FY 2001-2002 Overtime expenditures through the first 15 pay periods of the fiscal year (i.e., through February 15, 2002) and the Fire Department's projections for the remainder of the fiscal year. The Fire Department's Spending Plan projections shown in Attachment I would result in total FY 2001-2002 Overtime expenditures of $11,166,009 or $1,732,840 more than the Overtime budget of $9,433,169. In total, the Fire Department's spending plan projects deficit spending for Salaries and Mandatory Fringe Benefits, including Overtime, of $563,615 for FY 2001-2002 due primarily to deficit projection for Overtime of $1,732,840.

However, Attachment II shows a projection made by the Budget Analyst for Overtime expenditures in which the Budget Analyst projects Overtime for the remainder of Fiscal Year 2001-2002 based on the average Overtime expenditures during the first 15 pay periods of FY 2001-2002 adjusted for the latest four percent Firefighter salary increase granted on January 5, 2002. The Budget Analyst's projection would result in total FY 2001-2002 Overtime expenditures of $9,450,150 which is $16,981 more than the FY 2001-2002 Overtime budget of $9,433,169 but is $1,715,859 less than the Fire Department's projected Overtime spending of $11,166,009 as shown in Attachment I. The Budget Analyst believes that his projected level of Overtime spending is on the high side and would result in an overall surplus for Fire

Department Salaries and Mandatory Fringe Benefits, including Overtime, of approximately $2,000,000 in FY 2001-2002. This compares with the Controller's straight line projected surplus of $2,421,259.

The Budget Analyst has also made a second projection, shown in Attachment III to this report. Attachment III shows Overtime expenditure projections for the remainder of FY 2001-2002 based on 110 percent of the amount expended in the same pay period in FY 2000-2001 plus Firefighter salary increases of eight percent. This projection would result in total FY 2001-2002 Overtime expenditures of $8,256,428 or $1,176,741 less than the FY 2001-2002 Overtime budget of $9,433,169 and $2,909,581 less than the Fire Department's projected Overtime spending of $11,166,009 as shown in Attachment I. Based on this level of Overtime spending, the Budget Analyst projects that the Fire Department would end Fiscal Year 2001-2002 with an overall surplus of approximately $3,200,000 in Salaries and Fringe Benefits, including Overtime.

In summary the Budget Analyst is projecting a surplus for Fire Department Salaries and Fringe Benefits, including Overtime, ranging between $2,000,000 to $3,200,000, while the Controller's straight line projections results in a surplus of $2,421,259 and the Fire Department has projected a deficit of $563,615.

The combination of these results strongly suggests that the requested release of reserved funds in the amount of $1,624,800 for Overtime is not necessary at this time. Therefore, the Budget Analyst recommends that the Finance Committee <u>not</u> release the currently reserved funds for additional Overtime at this time.

Comments:

1. The sublease between the City and County of San Francisco and the Treasure Island Development Authority, for the Fire Department to pay rent to Treasure Island for the use of training facilities at Treasure Island, was approved by the Board of Supervisors on June 4, 2001, through adoption of Resolution No. 456-01 (File No. 01-0699). Approval of this subject request for the release of $1,764,000 will enable the Fire Department to make the sublease payment to Treasure Island in conformance with terms of the approved sublease.

2. The Budget Analyst's recently released Management Audit Report of the Fire Department addresses the need for and potential benefits from a centralized training facility. The Treasure Island site is one of three Fire Department training sites. The other two sites include the Paramedic training facility in the Presidio and the Fire College facility at Station Seven on Folsom Street currently operated by the Fire Department for training purposes. The Budget Analyst therefore recommended in his Management Audit Report that a complete cost/benefit assessment of alternatives for a centralized training facility be presented to the Fire Commission, the Mayor and the Board of Supervisors within one year of the date of the Management Audit Report. As noted above, in June of 2001, the Board of Supervisors approved the sublease agreement between the Fire Department and Treasure Island (File 01-0169). The Budget Analyst therefore recommends approval of the release $1,764,000 for the Fire Department's rental payment to Treasure Island for FY 2001-2002.

3. There were no specific conditions attached to the Finance Committee's recommended reserve of funds for 10 H10 Chiefs Operator positions. These positions are exempt from competitive Civil Service selection and serve at the pleasure of the Chief of the Fire Department in accordance with Charter Section 10.104. Such positions are also specified in Administrative Code Section 2A.91 among the several ranks of uniformed positions in the Fire Department. The Fiscal Year 2001-2002 approved budget reflects $5,001,430 in Salaries and Mandatory Fringe Benefits for 50 H10 Chief's Operator positions. The Budget Analyst considers release of this reserve to be a policy decision for the Board of Supervisors.

4. The Fire Department began FY 2001-2002 with 1,763 Uniformed Officers (excluding staffing for the Emergency Communications Unit). Since that time, the Department's uniformed staffing has changed as shown in the table below.

Changes to Fire Uniformed Staffing Since July 1, 2001
(Excluding Communications Unit)

Uniformed Staffing on July 1, 2001	1,763
New Hires	
Academy Class Started 7/9/2001	35
Lateral Transfer Class Started 9/4/2001	5
Total Hires	40
Attrition:	
Service or Disability Retirement	(38)
Resignations	(13)
Released/discharged from probationary status	(1)
Deaths	(1)
Total Attrition	(53)
Uniformed Staffing as of February 1, 2002	1,750
Planned Hiring of Lateral Transfers	6
Total Projected Fire Department Staffing at end of FY 2001-2002	1,756

As noted in the above table, in addition to the current uniformed staffing of 1,750, the SFFD intends to hire 6 lateral Firefighter/Paramedics who will begin their eight-week training in early April of 2002. Therefore, new hires for FY 2001-2002 will total 46 (40 hired to date and 6 to be hired in early April of 2002), and total uniformed staffing will increase to 1,756 (1,750 current uniformed staff plus 6 new hires). The Fire Department will therefore not meet its stated FY 20001-2002 goal to hire 78 new Uniformed Officers. The SFFD has not met this goal of hiring 78 new Uniformed Officers this fiscal year, primarily because the number of separations from the Department was lower than expected (53 separations compared to a projected 90 separations), allowing the minimum daily staffing requirement of 354 uniformed staff to be maintained without additional new hires.

5. In summary, the Fire Department will have hired 46 new Uniformed Officers during FY 2001-2002, or 32 less than the planned hiring of 78. The Department will have experienced a net reduction of seven uniformed positions in this period from a total of 1,763 on July 1, 2001 to 1,756 projected for the end of FY

2001-2002 assuming no further attrition during the remainder of the Fiscal Year.

6. The Department's current level of Overtime expenditures is reflected in the pattern of daily Overtime shifts required to maintain the minimum daily staffing of 354 Firefighters. A comparison of daily Overtime shifts and absenteeism is shown below.

Comparisons of Fire Department Overtime Shifts per Day and Absenteeism – FY 2000-2001 and FY 2001-2002 to Date

Category	FY 2000-2001	FY 2001-2002 to Date	January 2002
Number of permanent Firefighters scheduled for Duty per Day	420.08	433.66	431.26
Total Absences per Day	89.47	96.80	87.13
Daily Average Overtime Shifts required to maintain minimum staffing	21.50	16.85	7.87
Breakdown of Significant Types of Absences			
Sick Pay per day	24.56	20.23	16.53
Disability Pay per day	20.06	19.80	17.23
Modified Duty per day	12.53	17.51	18.26
Total Absent per day	89.47	96.80	87.13

As shown in the table above, the total number of Firefighter personnel scheduled for duty each day has increased from an average of 420.08 in FY 2000-2001 to 433.66 for FY 2001-2002 to date. Total absences have also increased, from a daily average of 89.47 in FY 2000-2001 to 96.80 for FY 2001-2002 to date. However, the daily average of total absences has declined to 87.13 for the month of January of 2002.

The effect of increased total Firefighter staffing scheduled for duty each day less absences has resulted in an overall decline in the average number of Overtime shifts required to meet daily minimum staffing requirements. For FY 2000-2001, an overall average of 21.50 Overtime shifts per day were worked. For FY2001-2002 to date, total Overtime shifts have averaged 16.85 per day. Lastly, for the month of January of 2002, total Overtime shifts per day have averaged 7.87. Therefore, average

daily absences during the first seven months FY 2001-2002 of 96.8 Firefighters have exceeded average daily absences of 89.47 in FY 2000-2001 However, the Fire Department has reduced total absences to 87.13 for the month of January of 2002, indicating recent improvement in this area.

7. The Budget Analyst's Management Audit of the Fire Department addresses the problems contributing to high Fire Department absenteeism rates and Overtime costs and recommended a comprehensive set of measures to improve attendance and reduce Overtime expenditures. The Management Audit Report is currently scheduled for a hearing before the Board of Supervisors Rules and Audits Committee on March 19, 2002.

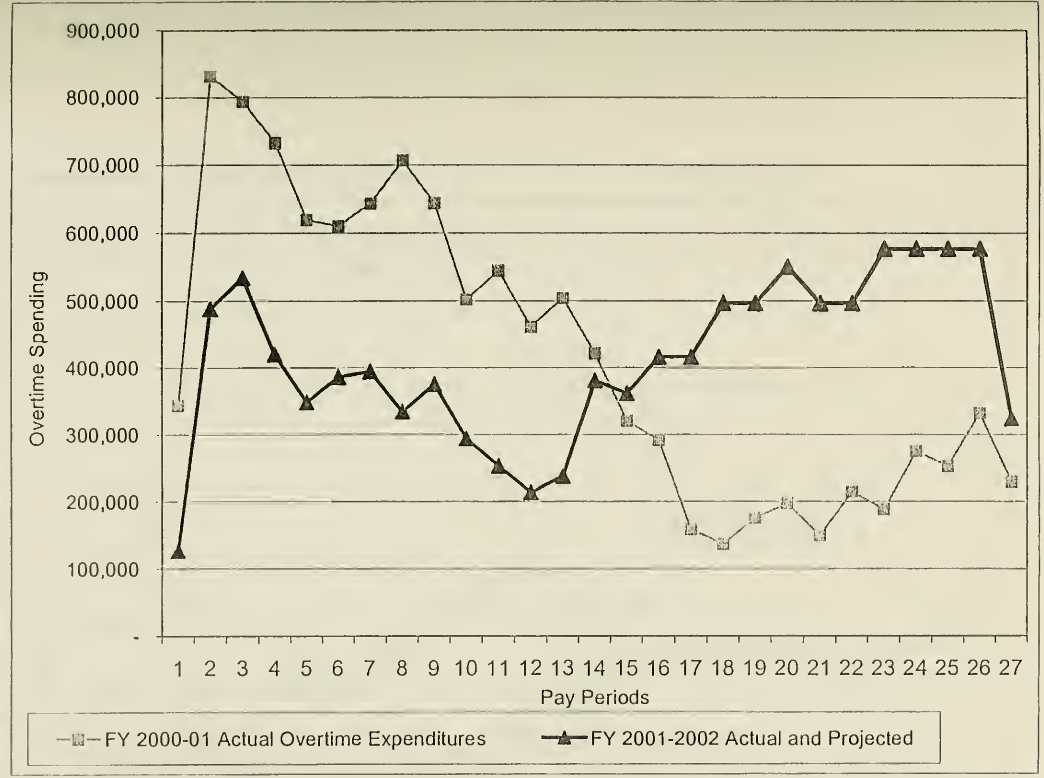
Recommendations: 1. The Budget Analyst recommends that the requested release of reserved funds in the amount of $1,624,800 for Overtime be disapproved based on the projection of both the Controller and Budget Analyst as described above. These funds should continue to be reserved by the Finance Committee.

2. The Budget Analyst considers the release of reserved funds in the amount of $1,000,286 for the Salaries and Mandatory Fringe Benefits for 10 Chief's Operator positions to be a policy matter for the Board of Supervisors in accordance with Comment No. 3 above.

3. The Budget Analyst recommends approval of the requested release of the reserved amount of $1,764,000 for the Fire Department to make the FY 2001-2002 sublease rental payment to Treasure Island for use of training facilities at Treasure Island, in accordance with Comment no. 1 above.

Ppd	FY 2000-01 Actuals	FY 2001-02 Act + Proj
1	$ 344,745	$ 127,686
2	830,935	488,257
3	793,914	534,203
4	732,760	420,675
5	619,028	349,494
6	610,115	386,812
7	643,556	395,040
8	707,058	335,081
9	643,841	376,176
10	502,362	294,408
11	545,012	253,852
12	461,811	214,339
13	504,281	238,748
14	421,538	381,156
15	321,418	362,452
16	292,173	416,292
17	159,178	416,292
18	137,582	497,052
19	176,434	497,052
20	197,749	550,893
21	149,895	497,052
22	214,845	497,052
23	188,810	577,813
24	275,659	577,813
25	253,266	577,813
26	332,831	577,813
27	229,364	324,693
	$ 11,290,160	$ 11,166,009

Shaded area is Fire Department Projections for pay period 16 through 27.



Comparison of FY 2000-2001 Actual Overtime spending with FY 2001-2002 Actual Overtime Spending for Pay Period 1 though 15 and projected for Pay Period 16 though 27 by SFFD Departmental Spending Plan. **The SFFD's Spending Plan projections would result in total FY 2001-2002 Overtime expenditures of $11,166,009 or $1,732,840 more than the overtime budget of $9,433,169.**

Ppd	FY 2000-01 Actuals	FY 2001-02 Act + Proj
1	$ 344,745	$ 127,686
2	830,935	488,257
3	793,914	534,203
4	732,760	420,675
5	619,028	349,494
6	610,115	386,812
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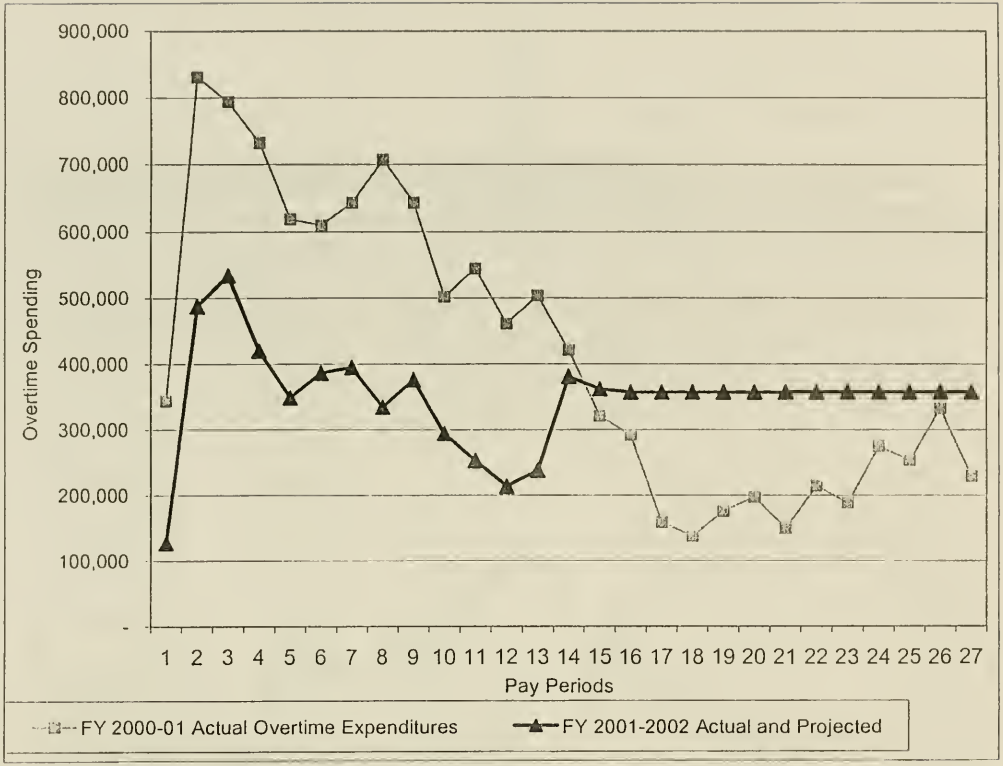
13	504,281	238,748
14	421,538	381,156
15	321,418	362,452
16	292,173	357,648
17	159,178	357,648
18	137,582	357,648
19	176,434	357,648
20	197,749	357,648
21	149,895	357,648
22	214,845	357,648
23	188,810	357,648
24	275,659	357,648
25	253,266	357,648
26	332,831	357,648
27	229,364	357,648
	$ 11,290,160	$ 9,450,150

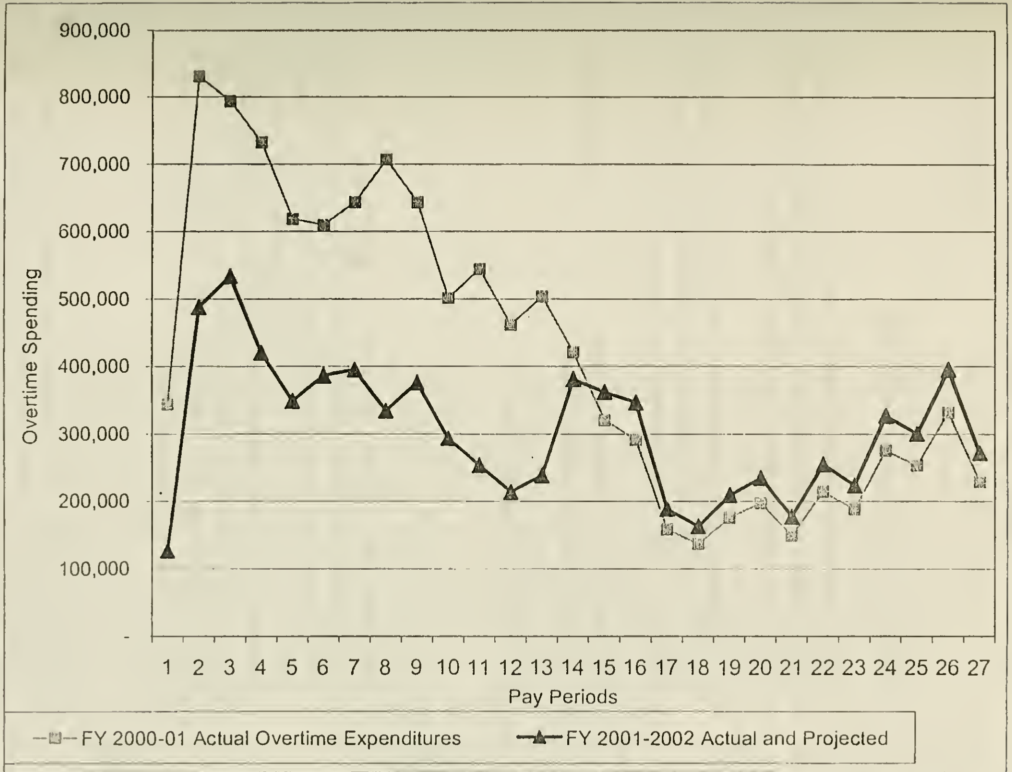
Shaded area is Projections for pay period 16 through 27.



Comparison of FY 2000-2001 Actual Overtime spending with FY 2001-2002 Actual Overtime Spending for Pay Period 1 though 15 and projected for Pay Period 16 though 27 by using average for first 15 pay periods adjusted for January, 2002 salary increase. **This projection would result in total FY 2001-2002 Overtime expenditures of $9,450,150 or $16,981 more than the overtime budget of $9,433,169.**

Ppd	FY 2000-01 Actuals	FY 2001-02 Act + Proj
1	$ 344,745	$ 127,686
2	830,935	488,257
3	793,914	534,203
4	732,760	420,675
5	619,028	349,494
6	610,115	386,812
7	643,556	395,040
8	707,058	335,081
9	643,841	376,176
10	502,362	294,408
11	545,012	253,852
12	461,811	214,339
13	504,281	238,748
14	421,538	381,156
15	321,418	362,452
16	292,173	347,101
17	159,178	189,103
18	137,582	163,447
19	176,434	209,604
20	197,749	234,926
21	149,895	178,076
22	214,845	255,235
23	188,810	224,306
24	275,659	327,483
25	253,266	300,880
26	332,831	395,403
27	229,364	272,485
	$ 11,290,160	$ 8,256,428

Shaded area is Projections for pay period 16 through 27.



Comparison of FY 2000-2001 Actual Overtime spending with FY 2001-2002 Actual Overtime Spending for Pay Period 1 though 15 and projected for Pay Period 16 though 27 by using prior year spending in each pay period plus salary increases plus 10 percent. **This projection would result in total FY 2001-2002 Overtime expenditures of $8,256,428 or $1,176,741 less than the overtime budget of $9,433,169**.

Item 2 – File 02-0147

Department:	Public Utilities Commission (PUC)
Item:	Resolution authorizing a ten (10) year lease of City-owned land located in Santa Clara County between the Public Utilities Commission and Los Altos Hotel Associates.
Purposes of Lease:	The proposed City-owned land would be used by the Los Altos Hotel Associates, located in the City of Los Altos, for parking, recreation, landscaping, ingress and egress.
Lessor:	City and County of San Francisco, acting by and through its Public Utilities Commission
Lessee:	Los Altos Hotel Associates
Number of Sq. Ft. and Cost Per Month Payable by Los Altos Hotel Associates:	Approximately 47,916, of which 13,500 square feet, or 28.2 percent, would be leased by the PUC to Los Altos Hotel Associates at a rental rate of \$3,240 per month (\$38,880 annually), which is \$0.24 per square foot per month or \$2.88 per square foot annually. As discussed in Comment No. 1, the PUC would not charge Los Altos Hotel Associates any rent for the remaining 34,416 square feet (47,916 less 13,500).
Amount Payable by Los Altos Hotel Associates to PUC:	\$38,880 annually. This annual rent would be adjusted 12 months after the commencement date of the lease, and then readjusted every 12 months thereafter, by the annual percentage increase in the Consumer Price Index (CPI). In addition to the annual CPI rent adjustment, the base rent would be adjusted to equal the prevailing fair market rental rate as of the beginning of the sixth year of the subject ten-year lease as determined by the PUC's Bureau of Commercial Land Management in consultation with the Division of Real Estate.
Term of Lease:	Ten years

Description:

The subject resolution would authorize a 10-year lease of approximately 47,916 square feet of City-owned land located in the City of Los Altos, Santa Clara County, which is under the jurisdiction of the PUC, to Los Altos Hotel Associates. The PUC's Bay Division Pipelines 3 and 4, which are located under the subject property, transport and distribute water for the San Francisco Water Department. Under the proposed lease, the PUC would retain all rights to operate, maintain, repair and/or reconstruct those pipelines.

Of the 47,916 square feet of PUC land which would be leased to Los Altos Hotel Associates, 13,500 square feet would be used for a paved parking lot and for a recreation area. The remaining 34,416 square feet of PUC land would be used for landscaping and ingress and egress to a hotel complex on adjacent property being developed by Los Altos Hotel Associates. The paved parking lot and the recreation area would be used for the hotel complex. The subject 47,916 square feet of land consists of a narrow parcel. The PUC's Bay Division Pipelines 3 and 4, located under the parcel, bisect a portion of a larger, rectangular shaped parcel owned by Los Altos Hotel Associates.

Comments:

1. According to Ms. Cindy Lee of the PUC, when the PUC originally purchased its pipeline property on the Peninsula from various property owners, the sellers of such property reserved the rights to cross over and farm on the properties in accordance with the deeds of sale. Therefore, the resulting grant deeds contain provisions which reserve cross-over and agricultural rights for the owners of the adjacent properties. As the current owner of an adjacent property, Los Altos Hotel Associates retains those cross-over and agricultural rights. In light of such grant deeds, the PUC has a policy to not charge rent to the owners of adjacent properties for ingress and egress and for landscaping purposes. Mr. Charles Sullivan of the City Attorney's Office has confirmed that the PUC's policy is consistent with the language of the existing grant deeds. Of the subject parcel's approximately 47,916 square feet, 34,416 square feet, or approximately 71.8 percent, would be utilized for landscaping and for ingress and egress purposes. In keeping with the PUC's policy, the PUC does not charge rent for such purposes. The

remaining 13,500 square feet, or approximately 28.2 percent, would be utilized for the hotel complex as a paved parking lot and a recreation area for which the PUC would charge rent as previously noted.

2. Ms. Lee advises that a valuation of current market rental rates of the subject property was performed by the PUC's Bureau of Commercial Land Management and that the proposed lease rate of $0.24 per square foot per month represents the fair market value. According to Ms. Lee, the fair market rental rate valuation and review was based on (a) an analysis of sales of comparable properties in the Los Altos area (including the sale of the adjacent parcel to be developed into a hotel complex), (b) comparable PUC leases on the Peninsula, and (c) property sales information obtained from the real estate information service, Metroscan. Ms. Lee states that Metroscan is a real estate information service used by realtors and real estate appraisers which provides a monthly update of property sales and rental rates by geographical area.

3. According to Ms. Lee, the subject property has no use to any other adjacent property owner. As the subject property is only 80 feet wide and cannot have structures built on it, it is suitable only for vehicular parking purposes and for recreational purposes.

Recommendation: Approve the proposed resolution.

Item 3 - File 02-0317

Department: Department of Public Health (DPH)

Item: Hearing to consider the release of reserved funds for the Department of Public Health in the amount of $60,000.

Amount: $60,000

Source of Funds: Join Together, a nonprofit organization

Description: This DPH request is for the release of $60,000 in grant monies previously reserved by the Board of Supervisors. The funds were placed on reserve by the Board of Supervisors, pending development of a program plan and submission of budget details to the Board of Supervisors (File 01-1096).

Ms. Kirsten Melbye of DPH states that the subject $60,000 in grant funds were originally awarded to DPH by Join Together, a nonprofit organization who is affiliated with the Boston University School of Public Health, for a one-year period, to implement "a social marketing campaign to reduce the 'Not in my backyard' (NIMBY) attitude that many San Franciscans held towards neighborhood substance abuse treatment." Ms. Melbye advises that one of the overarching goals of Join Together is to increase demand for substance abuse treatment in grantee cities, of which San Francisco is one of 16. According to Ms. Melbye, the purpose of the social marketing campaign was to obtain community support for expanding substance abuse services throughout San Francisco in the future. However, as explained in the attached memorandum (Attachment I), provided by DPH, "the financial and political priorities of the City shifted as a result of the downturn of the economy in 2001 and funding that was slated for expanding substance abuse treatment services was reallocated." Therefore, DPH, in consultation with Join Together, decided that instead of implementing the original social marketing campaign, grant funds should instead be used to provide "substance abuse screenings and outreach referral case management to better suit the current situation."

DPH is now requesting that the $60,000 in grant monies be released to train DPH physicians and nurses to conduct substance abuse screenings and counseling at two Public Health Clinics and to provide substance abuse treatment referral case management in the Bayview District.

Ms. Melbye states that $34,000 of the subject grant monies would be allocated to California Society for Addiction Medicine, a nonprofit organization, to train DPH physicians and nurses at the Tom Waddell Public Health Clinic, located at 50 Ivy Street, and the Potrero Hill Public Health Clinic, located at 1050 Wisconsin Street. The training would concentrate on how to quickly screen patients for substance abuse problems and how to provide patients with brief substance abuse counseling or referrals to substance abuse treatment services as needed. Ms. Melbye advises that the contract with the California Society for Addiction Medicine would begin on April 1, 2002 and is expected to be completed by February 28, 2003.

Ms. Melbye advises that $25,000 of the subject grant monies would be allocated to Positive Directions Equals Change, a nonprofit organization that is an existing DPH contractor. Positive Directions Equals Change would provide outreach and referral case management services related to substance abuse treatment in the Bayview District. According to Ms. Melbye, Positive Directions' Case Managers would make initial contact with potential substance abuse treatment clients on the street, in shelters and elsewhere in the Bayview District and refer those individuals to appropriate treatment programs and/or medical services. The Case Managers would also follow-up with those individuals to assure that they receive the appropriate treatment or determine the reasons why treatment was not received. According to Ms. Melbye, the objective of the outreach and referral case management services is to increase the likelihood that under-served client populations obtain access to substance abuse treatment. Ms. Melbye advises that the contract with Positive Directions Equals Change would begin on April 1, 2002 and is expected to be completed by December 31, 2002.

Budget: A summary budget for the requested release of reserved funds is as follows:

Contract Costs California Society for Addiction Medicine	$34,000
Contract Costs Positive Directions Equals Change	$25,000
DPH Travel Costs	$1,000
Total Project Costs	**$60,000**

Attachment II, provided by DPH provides additional budget details for the nonprofit contractor costs and the DPH travel costs.

Comments:

1. According to Ms. Melbye, Join Together has approved the use of the subject grant funds in the amount of $60,000 for the proposed project.

2. Ms. Melbye advises that none of the $60,000 in requested funds has been expended and no obligations have been incurred.

3. According to Ms. Melbye, California Society for Addiction Medicine and Positive Directions Equals Change were both selected on a sole source basis because of their expertise in substance abuse matters.

Recommendation: Approve the requested release of reserved funds of $60,000.

Memorandum

To: Harvey Rose

CC: Maureen Singleton

From: Kirsten Melbye, M.H.S.

Date: 02/28/02

Re: Demand Treatment grant

When Community Substance Abuse Services (CSAS) applied to be a Demand Treatment partner in February 2001, the initial proposal was to develop and conduct a social marketing campaign to reduce the "Not in my backyard" (NIMBY) attitude that many San Franciscans held towards neighborhood substance abuse treatment. This attitude had reduced, and in some cases, blocked the siting and expansion of substance abuse treatment programs in the city. Unfortunately, the financial and political priorities of the city shifted as a result of the downturn of the economy in 2001 and funding that was slated for expanding substance abuse treatment services was reallocated. Therefore, it was decided that the original social marketing campaign would not be the ideal way to develop this partnership and the direction of the grant was changed to brief screenings and outreach referral case management to better suit the current situation.

Brief screenings for drug and alcohol abuse will be implemented at Potrero Hill and Tom Waddell Health Centers. These screenings will be administered by the physician or nurse upon intake. The California Society for Addiction medicine (CSAM) will assist in developing the brief screening tool and will train physicians and nurses on the survey as well as brief counseling techniques and resources for a treatment referral network.

Positive Directions Equals Change (PDEC) will be responsible for conducting substance abuse referral case management in the Bayview District. This will involve making initial contacts with clients on the street, in shelters, etc., and referring the individuals to appropriate treatment and/or medical services. The case manager will be responsible for following up with the client to determine if he or she received services and if no services were obtained, reasons for this and how they may be overcome. The Project Manager at CSAS will monitor PDEC to ensure that both the outreach and case management component are carried out.

The grant was held on reserve since July 2001, so no monies have been expended. The new grant period will be from March 1, 2002, to February 28, 2003. The contract for CSAM will be from April 1, 2002, to February 28, 2003, and PDEC will be from April 1, 2002, to December 31, 2002.

Community Substance Abuse Services
San Francisco Demand Treatment! Update Budget

DPH Travel	(required grantee meeting)			1,000

CONSULTANT/CONTRACTUAL AGREEMENTS

Training for Providers
Contractor: CA Society for Addiction Medicine

Trainers	3 trainings @ $5,000/training			15,000
Training Facilities	$500/day x 3 days)			1,500
Refreshments	$20 pp x 40 x 3			2,400
Training brochures, materials & supplies				3,100
Consultation - Post training				9,000
Seminar				3,000
Subtotal Training				**34,000**

Outreach/Case Management
Contractor: Positive Directions for Change

TBN	Outreach Worker/Referral Case Mgr.	35000	0.25	8,750
TBN	Outreach Worker/Referral Case Mgr.	35000	0.25	8,750
Fringe Benefits @ 22%				3,850
Subtotal Personnel				21,350
Outreach Materials and Supplies				3,000
Duplication				650
Subtotal Outreach/Case Mangement				**25,000**
Subtotal Consultant/Contractual Agreements				**59,000**
GRAND TOTAL				**60,000**

Item 4 - File 01-1216

Note: This item was continued by the Finance Committee at its meeting of February 27, 2002.

Department: Public Utilities Commission
Hetch Hetchy

Item: Hearing to consider the long-term contract entered into by the City and County of San Francisco and Calpine Energy.

Description: In May of 2001, the City entered into a contract with Calpine Energy Services, LP for the purchase of electric power. The term of the contract was five years, commencing on July 1, 2001 and ending on June 30, 2006.

Under the terms of the contract, the City is required to purchase 50 megawatts of electric power per hour on a continuous basis. The price of this purchase is a) $115 per megawatt hour for the period of July 1, 2001 through December 31, 2001, and b) $75.25 per megawatt hour for the period of January 1, 2002 through June 30, 2006.

For Fiscal Year 2001-2002, the City will be required to purchase a total of 438,000 megawatt hours at a total cost of $41,664,750. Over the five-year term of the contract, the City will be required to purchase a total of 2,190,000 megawatt hours at a total cost of $173,502,750. The average price per megawatt hour that the City is required to purchase is $79.225 under the Calpine Energy Services contract.

Comments: 1. Hetch Hetchy has traditionally purchased power from wholesale sources to meet its contractual obligations for the sale of electric power to its customers when it is unable to generate sufficient electric power from its hydro-electric power generation facilities. In FY 2000-2001, the price for such power on the spot market increased from a range of $20 to $40 per megawatt hour to $200 to $300 per megawatt hour. In February of 2001, Hetch Hetchy required a supplemental appropriation of $25,400,000 to meet the estimated increased expenditures resulting from the increased cost of such power on the spot market for FY 2000-2001 (File 01-0208). Ms. Laurie Park, General Manager of Hetch Hetchy reports that spot market prices moderated somewhat during the last four months of FY 2000-2001, and Hetch Hetchy's actual increased

expenditures for such purchases were approximately \$19,700,000 or \$5,700,000 less than the estimated increased cost of \$25,400,000.

2. The Calpine Energy Services Contract was entered into by the City to hedge against high prices for wholesale electric power over the next five years. The shortage of supply that resulted in the increases in the price of wholesale electric power during FY 2000-2001 was expected to continue for up to three years with resulting price volatility, according to PUC testimony to the Board of Supervisors during the consideration of the proposed contract, with lower prices in years four and five of the Calpine Energy Services Contract.

3. Since the approval of the Calpine Energy Services contract, the price of wholesale electric power has fallen dramatically, due in part to reduced demand for electricity and mild weather during the summer months. Power generation and supply has also increased since the first six months of calendar year 2001. According to Ms. Park, the futures price for wholesale electric power for the third quarter of 2002 is \$33 per megawatt hour. Also, at this time, the futures price for wholesale electric power for calendar year 2003 is \$35 per megawatt hour according to Ms Park. These significantly lower futures prices has caused the value of a five year purchase contract such as the existing Calpine Energy Services contract to fall significantly. Ms Park states that if the City were to enter into a five year purchase contract, with a commencement date of January 1, 2003, the price would be \$35 per megawatt hour.

If the City were to enter into a five year contract for the purchase of electric power at an average price of \$35 per megawatt hour instead of \$79.225 per megawatt hour, the price for the Calpine contract, the full cost would be \$76,650,000, or \$96,852,750 less than the \$173,502,750 cost for the Calpine contract.

4. Subsequent to the Board of Supervisors approval of the Calpine contract, at the request of the Finance Committee, the Budget Analyst has reviewed the financial information and the risk analysis which had been submitted to the Public Utilities Commission by Hetch Hetchy management prior to the PUC's approval of the Calpine contract in May of 2001. Based on this information, it was clear that the wholesale electric market

volatility and the $200 to $300 price per megawatt hour for such electricity at that time, created significant financial risk that could have resulted in Hetch Hetchy expenditures substantially exceeding operating revenues on an annual basis.

The PUC approved the Calpine agreement, and recommended that the Board of Supervisors also approve the contract, in order to hedge against the likelihood, as indicated by wholesale market conditions in May of 2001, that the Hetch Hetchy enterprise fund would not be able to remain self supporting and fund required facilities maintenance and capital improvement projects.

The Budget Analyst concludes that, based on the extraordinary wholesale electricity market volatility and wholesale prices during the first four months of 2001, and independent economic forecasts that such market volatility would remain for an extended period of time, the decision to enter into the Calpine contract by the Public Utilities Commission and the Board of Supervisors in May of 2001 was reasonable and prudent at that time.

The Budget Analyst also concludes that the contract has resulted in significant profit for Calpine Energy Services, and a significant cost to the City in relation to current wholesale market conditions, since the contract was executed in May of 2001. As previously noted, if the City had been able to enter into a five year contract for the purchase of electric power at an average price of $35 per megawatt hour instead of $79.225 per megawatt hour, the full cost would have $76,650,000, or $96,852,750 less than the $173,502,750 cost for the Calpine contract.

4. Representatives of the Public Utilities Commission and Hetch Hetchy will be in attendance at the February 27, 2002 Finance Committee meeting to make a presentation to the Committee and to respond to the Committee's questions.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, March 13, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:35 p.m.

020051 **[Amending Article 2.4 of the Public Works Code and Sections 10-100.230 and 11.9 of the Administrative Code Concerning Excavation in the Public Right-of-Way; Proposed Increases in Certain Fees]**

Supervisors Peskin, Maxwell

Ordinance amending Sections 2.4.2, 2.4.4, 2.4.10, 2.4.20.1, 2.4.20.2, 2.4.20.3, 2.4.23, 2.4.40, 2.4.41, 2.4.42, 2.4.45, 2.4.46, 2.4.50, 2.4.53, 2.4.55, 2.4.70, 2.4.80, 2.4.81, 2.4.83, and 2.4.85 of Article 2.4 of the Public Works Code, adding Sections 2.4.20.4 to Article 2.4 of the Public Works Code, and amending Sections 10.100-230 and 11.9 of the Administrative Code to modify and adopt new definitions; modify and adopt new procedures for permit application submission, permit conditions, and permit modifications; modify fees for administration of permit applications and inspection of excavations; provide for a report to the Board of Supervisors about such fees; create a process for inspection fee refunds; modify procedures for assessing penalties; establish a utility conditions permit fee; and make technical conforming amendments. (Public Works Department)

(Companion measure to Files 020133, 020134.)

1/9/02, RECEIVED AND ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Douglas Legg, Finance and Budget Division, Department of Public Works. Supervisors Peskin and Maxwell added as co-sponsors.
Continued to 3/13/02.

3/11/02, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title.

3/11/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Edward Harrington, Controller.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020133 **[Funding to improve services of the Street Construction Coordination Center]**
Supervisors Peskin, Maxwell
Ordinance appropriating $66,255 from Excavation Fees to increase services of the Street Construction Coordination Center for the Public Works Department for fiscal year 2001-02. (Public Works Department)

(Companion measure to Files 20051 and 020134.)

1/30/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests that Files 020051, 020133, and 020134 be scheduled for consideration on the same date.

2/1/02, SUBSTITUTED. Substituted by Department of Public Works 2/1/02, bearing new title.

2/1/02, ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Douglas Legg, Finance and Budget Division, Department of Public Works. Supervisors Peskin and Maxwell added as co-sponsors.
Continued to 3/13/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Edward Harrington, Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020134 **[Public Employment]**
Ordinance amending Ordinance No. 171-01 (Annual Salary Ordinance 2001/02) reflecting the creation of four positions at the Department of Public Works. (Human Resources Department)

(Fiscal impact.)

2/4/02, SUBSTITUTED. Substituted by Department of Human Resources 2/4/02, bearing new title.

2/4/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests that Files 020051, 020133, and 020134 be scheduled for consideration on the same date.

2/4/02, ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Douglas Legg, Finance and Budget Division, Department of Public Works.
Continued to 3/13/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cynthia Chono, Manager, Street Construction Coordination Center, Department of Public Works; Edward Harrington, Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020059 [Reserved Funds, Human Resources Department]

Hearing to request release of reserved funds, Department of Human Resources (Fiscal Year 2001-02 Budget), in the amount of $8,901,795 to fund the remaining salary and fringe benefits for the Special Assistant positions. (Human Resources Department)

1/11/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be calendared at the January 30, 2002 meeting.

1/23/02, CONTINUED. Heard in Committee. Speakers: Edward Harrington, Controller; Steve Kawa, Mayor's Office; Jonathan Holtzman, Mayor's Office; Geoffrey Rothman, Director, Employee Relations Division, Department of Human Resources; Carol Isen, Associate Director, Local 21; Jean Mariani.
Continued to 1/30/02.

1/30/02, AMENDED. Heard in Committee. Speakers: Jonathan Holtzman, Mayor's Office; Andrea Gourdine, Human Resources Director; David Novogrodsky, International Federation of Professional and Technical Engineers, Local 21; Harvey Rose, Budget Analyst; Todd Rydstrom, Controller's Office.
Release of reserved funds in the amount of $2,543,370 (1/5 of funds requested) approved. Consideration of remainder ($10,173,480) continued to the Call of the Chair.
Title of hearing amended by replacing "$12,716,850" with "$10,173,480."

1/30/02, CONTINUED AS AMENDED.

2/27/02, AMENDED. Heard in Committee. Speakers: Jonathan Holtzman, Mayor's Office; David Novogrosky, International Federation of Professional and Technical Engineers, Local 21; Abdalla Megahed.
Release of reserved funds in the amount of $1,271,685 (two weeks of funds) approved. Consideration of remainder ($8,901,795) continued to 3/13/02. Title of hearing amended by replacing "$10,173,480" with "$8,901,795."

2/27/02, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Geoffrey Rothman, Director, Employee Relations Division, Human Resources Department; Josh Kaufman.
Release of reserved funds in the amount of $8,901,795 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020125 [Reserved Funds, Treasure Island Project]

Hearing to consider release of reserved funds, Treasure Island Project (fiscal year 2001-2002 budget), in the amount of $237,002 for salaries and fringe benefits consistent with other City Departments/Special Assistants included in the Citywide Management Classification/Compensation Plan (MCCP). (Mayor)

1/22/02, RECEIVED AND ASSIGNED to Finance Committee.

2/6/02, AMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Annemarie Conroy, Executive Director, Treasure Island Development Authority.
Release of reserved funds in the amount of $67,715 approved. (1/5 of funds requested) approved. Consideration of remainder ($270,860) continued to the Call of the Chair.
Title of hearing amended by replacing "$338,575" with "$270,860."

2/6/02, CONTINUED AS AMENDED.

2/27/02, AMENDED. Heard in Committee. Speakers: Jonathan Holtzman, Mayor's Office; David Novogrosky, International Federation of Professional and Technical Engineers, Local 21; Abdullah Nigeri.
Release of reserved funds in the amount of $33,858 (two weeks of funds) approved. Consideration of remainder ($237,002) continued to 3/13/02. Title of hearing amended by replacing "$270,860" with "$237,002."

2/27/02, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Geoffrey Rothman, Director, Employee Relations Division, Human Resources Department; Josh Kaufman.
Release of reserved funds in the amount of $237,002 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020246 **[Safety Retirement]**

Resolution implementing MOU provision and authorizing an amendment to correct an error in the contract between the Board of Administration of the Public Employees' Retirement System and the Board of Supervisors of the City and County of San Francisco. (Human Resources Department)

2/17/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Alice Villagomez, Deputy Director, Employee Relations Division, Human Resources Department.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020244 **[Lease Agreement - Breda Transportation, Inc.]**

Resolution approving a lease agreement with Breda Transportation, Inc. and the City and County of San Francisco operating by and through the San Francisco Port Commission for shed space, loading dock space and office space at Pier 80, San Francisco, California. (Port)

2/15/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Taline Sanassarian, Port; Phil Williamson, Property Manager for the Southern Waterfront, Port; Josh Kaufman.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

011773 **[Reserved Funds, Department of Elections]**

Hearing to consider release of reserved funds, Department of Elections, fiscal year 2001-02 budget, in the amount of $32,237 for the reapportionment project. (Elections Department)

10/2/01, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be calendared at the October 17, 2001 meeting.

10/17/01, CONTINUED TO CALL OF THE CHAIR. Hearing held. Speakers: Harvey Rose, Budget Analyst; Tammy Haygood, Director of Elections; Chris Bowman, former member, Citizens Advisory Committee on Elections.

2/27/02, AMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tammy Haygood, Director of Elections; Edward Harrington, Controller.
Release of reserved funds in the amount of $221,000 approved. Consideration of remainder ($32,237) continued to 3/13/02. Title of hearing amended by replacing "$253,237" with "$32,237."

2/27/02, CONTINUED AS AMENDED.

Heard in Committee. Tammy Haygood, Director of Elections; Quintin Mecke, Task Force on Redistricting; Harvey Rose, Budget Analyst.
Continued to March 20, 2002.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 1:25 p.m.

25

/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 7, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: March 13, 2002 Finance Committee Meeting

Items 1, 2, and 3– Files 02-0051, 02-0133 and 02-0134

Note: These items were continued by the Finance Committee at its meeting of February 27, 2002. In accordance with the request of the Finance Committee, this legislation has been amended to increase the proposed fees in order for the City to recover Countywide costs as defined by the City and County's Cost Allocation Plan (COWCAP). (See Comment No. 5.)

Department: Department of Public Works (DPW)
Street Construction Coordination Center (SCCC)

Item: File 02-0051

Ordinance amending various Sections of Article 2.4 of the Public Works Code, adding Sections 2.4.20.4 to Article 2.4 of the Public Works Code, and amending Sections 10.100-230 and 11.9 of the Administrative Code to modify and adopt new definitions; modify and adopt new procedures for permit application submission, permit conditions, and permit modifications; modify fees for administration of permit applications and inspection of street excavations; provide for a report to the Board of Supervisors within one year after the adoption of the proposed fees and every three years thereafter regarding whether such fees allowed DPW to recover actual costs and recommending adjustments to the fees if appropriate; create a process for inspection fee refunds if a project is completed before the permit expiration date; modify procedures for assessing penalties; establish a utility

conditions permit fee (see Comment No. 4); and make technical conforming amendments.

File No. 02-0133 (Supplemental Appropriation Ordinance)
Ordinance appropriating $66,255 from Excavation Fees to increase services of the DPW Street Construction Coordination Center.

Amount: $66,255

Source of Funds: Excavation Fees deposited to the Special Revenue Public Works Excavation Fund

File No. 02-0134 (Amendment to Annual Salary Ordinance FY 2001-2002)
Ordinance amending Ordinance No. 171-01 (Annual Salary Ordinance FY 2001-2002) reflecting the creation of four new positions in the Department of Public Works for the DPW Street Construction Coordination Center.

Description: File 02-0051
Mr. Douglas Legg of DPW advises that the proposed ordinance would amend various sections of the Article 2.4 of the Public Works Code to allow DPW to increase its inspection and administrative/permit fees to fully recover the costs of the DPW Street Construction Coordination Center, which is responsible for administering the issuance of permits for the City's Excavation Code and for performing inspections of excavation projects. Mr. Legg explains that in 1998 the Board of Supervisors added Article 2.4, Excavation in the Public Right-of-Way (Excavation Code), to the City's Public Works Code and that it became effective on January 1, 1999. Mr. Legg advises that street excavations occur when it is necessary to install, repair or replace any of the various gas, electric, water, sewer, telephone, traffic signal, cable television, steam and other utility lines beneath the City's streets. Mr. Legg explains that such street excavation work is performed by private entities such as PG&E, AT&T, and Pacific Bell, as well as by City Departments including the Municipal Railway (MUNI) and the Water Department. Mr. Legg further advises that the Excavation Code established the DPW Street Construction Coordination Center for the purpose of coordinating excavations by these various public

and private agencies. The objective of such coordination on the part of DPW is to reduce the number and duration of excavations through the close coordination of all of the agencies involved, according to Mr. Legg. Article 2.4 includes a special Public Works Excavation Fund for the deposit of excavation fees charged by DPW to applicable agencies. Such excavation fees provide the funding source for the DPW Street Construction Coordination Center. Mr. Legg advises that currently, the Street Construction Coordination Center budget for FY 2001-2002 is $1,376,824, as previously approved by the Board of Supervisors.

Mr. Legg advises that the proposed ordinance would amend various sections of Article 2.4 of the Public Works Code, as well as sections of the Administrative Code. Specifically, the proposed ordinance would provide for a new fee structure for street excavation projects. Such projects would be classified by size and administrative/permit and inspection fees would be charged accordingly. As stated in Attachment I, provided by DPW, the proposed fees would result in an estimated 196 percent increase in annual revenues to DPW for administrative/permit fees. The proposed administrative/permit fees would increase from 154 percent to 340 percent for average-sized small, medium, and large projects, as shown in Attachment I. The proposed inspection Fees would increase from 35 percent to 827 percent for average-sized small, medium, and large projects, as shown in Attachment I.

File 02-0133

File 02-0133 is an ordinance appropriating $66,255 to DPW from Excavation Fees to create four new DPW positions on an annual basis to enhance the services of the DPW Street Construction Coordination Center. For FY 2001-2002, such positions would represent 0.92 FTE and will be funded from April 1, 2002 through June 30, 2003. The details of the cost of the proposed four new positions is as follows:

	Cost of Four New Positions for FY 2001-2002 from April 1, 2002 through June 30, 2002
0.46 FTE 6230 Street Inspectors $2,706 biweekly X 6 pay periods two 0.23 positions	$32,472
0.23 FTE 5362 Engineering Assistant I $1,678 biweekly X 6 pay periods	10,068
0.23 FTE 1408 Principal Clerk $1,744 biweekly X 6 pay periods	10,464
Total Salaries	$53,004
Fringe Benefits (25% of Salaries)	13,251
Total Salaries and Fringe Benefits	**$66,255**

File 02-0134

File 02-0134 is an amendment to the Annual Salary Ordinance for Fiscal Year 2001-2002 (Ordinance No. 171-01) that reflects the four new positions to be created in the DPW Street Construction Coordination Center as shown in the following Table:

No. of FTE Positions	Classification	Title	Step 1 (Biweekly-Annual)	Step 5 (Biweekly-Annual)
2.00	6230	Street Inspector	$47,398	$57,590
1.00	5362	Engineering Assistant I	$43,628	$52,968
1.00	1408	Principal Clerk	$45,344	$55,120
4.00				

The annual cost of the requested four positions would range from $229,710 at Step 1, including salaries of $183,768 and fringe benefits of $45,942, to $279,085 at Step 5, including salaries of $223,268 and fringe benefits of $55,817.

Comments:

1. Attachment I is a memorandum provided by DPW which provides background related to the proposed legislation.

2. Attachment II, provided by DPW, describes the general purpose of the legislation which is to fully recover costs of DPW's Street Construction Coordination Center activities as well as to enhance coordination services pertaining to street excavations in the City. Attachment II shows for FY 2002-2003, DPW anticipates that costs would be fully covered if the proposed 196% increase in fee revenues is approved and the four additional positions are added based on revenues of and costs of $2,299,776. Attachment II also shows that DPW anticipates that a 135% increase in fee revenues would allow DPW to maintain the current level of service and fully recover its costs by increasing revenues from $776,648 to $1,826,820. Mr. Legg advises that if no fee increase is approved by the Board of Supervisors, DPW would reduce its current service level by eliminating five positions in order to have annual revenues equal annual costs without the need to use any balance in the Public Works Excavation Fund.

3. Attachment III, provided by DPW, explains the specific responsibilities of each of the four proposed new positions. Attachment IV, provided by DPW, shows the current and proposed administrative/permit and inspection Excavation Fees as well as actual revenues from those fees for FY 2000-2001 and projected revenues based on DPW's recommended fee increases in FY 2002-2003, based on the addition of four new positions.

4. Ms. Julia Friedlander of the City Attorney's Office advises that the proposed ordinance includes a provision that allows DPW to charge $2,000 for the issuance or renewal of a Utility Conditions Permit (UCP) under Section 11.9 of the Administrative Code. Ms. Friedlander explains that telephone companies are required to obtain a UCP from the City before such companies are allowed to excavate City streets. Ms. Friedlander advises that this fee will compensate DPW for the City Attorney's services related to such excavation permits. Ms. Friedlander further advises that the existing ordinance allows DPW to recover its costs for such permits, but the specific fee is not specified and no fee has ever been charged to recover the costs of the City Attorney's services. Ms. Friedlander advises the $2,000 amount is based on the City Attorney's calculation of the cost per UCP permit. As of the writing of this report, the City Attorney's Office has not provided the details for this $2,000 fee calculation.

5. In accordance with the request of the Finance Committee, this legislation has been amended to increase the proposed fees in order for the City to recover Countywide costs as defined by the City and County's Cost Allocation Plan (COWCAP). Mr. Legg of DPW advises COWCAP costs are $193,082 or approximately 13% of direct salaries for the 14 Street Construction Coordination Center positions. The 14 positions include 10 existing positions and the four proposed positions. Mr. Legg advises that including COWCAP costs in the proposed fees will result in an increase of $193,082 or an approximately 9.2% increase in revenues from such fees over DPW's original proposed increase of $2,106,694, resulting in total annual revenues of $2,299,776.

Recommendation: The Budget Analyst normally recommends approval of increased fees if the purpose of such increases is to fully recover costs. However, the Budget Analyst considers approval of the proposed ordinances to be a policy matter for the Board of Supervisors because DPW is proposing fee increases which would not only recover existing costs but would also fund an expansion of services.

City and County of San Francisco

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Memorandum

March 7, 2002

To: Harvey Rose
Budget Analyst

From: Douglas Legg
Finance and Budget Division

Re: Proposed Excavation Fee Increases (Revised)

This memo has been revised to incorporate direction given by the Finance Committee on February 27; estimated revenues from DPW's proposed fee increase have been revised to reflect collection of Citywide overhead costs (COWCAP). This memo is in response to your request regarding the proposed fee increase and provides you with background information and an overview of the reasons for DPW's requested increase.

Excavation Fee Modifications

The current fee structure was adopted in 1992, prior to a significant increase in telecommunications-related excavations and a major capital improvement program by PG&E. The fee structure was amended in 1999, but overall fees were not increased at that time. In FY 1992-1993, the number of blocks excavated totaled 5,092 but by FY 1997-1998, the total had reached 6,859. In FY 2000-2001, DPW issued 5,046 permits authorizing excavation of 9,168 blocks of pavement. DPW anticipates that excavation in FY 2001-2002 will total 7,764 blocks and that during FY 2002-2003, approximately 7,964 blocks will be excavated.

In addition to coordinating excavation work, the Street Construction Coordination Center (SCCC) provides a variety of administrative, education, outreach, regulatory and inspection services including: (a) preparation and distribution of a five-year plan identifying anticipated excavations (b) maintenance of a web site with information for the public including information about active permits, paving schedules, excavation plans and excavation moratorium data (c) inspections of excavations to ensure pavement smoothness, minimize traffic disruption and ensure compliance with Excavation Code (d) conducting administrative hearings (e) coordinating meetings between City departments and private firms regarding ongoing and proposed excavation projects (f) responding to complaints and service requests, including providing a five-day per week, 24 hour per day pager number for the public.

At the end of Fiscal Year 1998-1999, DPW had a surplus in the Excavation Fund of $1,008,205. This surplus developed because DPW was not fully staffed and thus did not have a full complement of budgeted inspectors, permit processors, and plan checkers charging to the Excavation Fund. In addition, DPW did not provide any significant public information services prior to the Excavation Code revision in 1999. DPW has funded the SCCC with this surplus since FY 1998-1999, which has steadily decreased. At the end of FY 2000-2001, the surplus was $235,020. The Excavation Fund balance history is as follows:

Fiscal Year	Beginning Balance	Revenues[1]	Expenditures	Ending Balance
1998-99	$1,809,197	$597,124	$1,398,116	$1,008,205
1999-00	1,008,205	769,997	1,441,170	337,032
2000-01	337,032	991,568	1,093,580	235,020

1- "Revenues" also includes fees for permit extensions, administrative penalties and excavators' deposits. The total collected for Inspection and Administrative Fees was $818,546 in FY 2000-2001. For FY 2001-2002 and FY 2002-2003, total revenue from Inspection and Administrative Fees are anticipated to be $1,188,052 and $2,299,776 respectively.

When the Board of Supervisors approved the revision to the Excavation Code in 1998, DPW did not request a fee increase because of the available surplus. Now that the Excavation fund surplus has been expended, a fee increase is required to maintain the existing level of service. In addition, as described in the materials the Department submitted to the Board, DPW recommends increasing the existing level of service to provide better service. Based on the Department's experience during the last three years, we have found that we underestimated the cost of implementing the Excavation Code as approved by the Board of Supervisors in 1998. Approximately $2,299,776 will be required in FY 2002-2003 to promptly process requests for excavation permits, inspect excavators' work, and properly coordinate excavations. Revenue collected from excavation Inspection and Administrative fees in FY 2000-2001 was $818,546 or $1,481,230 less than the $2,299,776 that DPW anticipates it needs in FY 2002-2003. Maintaining the existing service would require a 135% increase in revenues and providing DPW's recommended service level would require a 196% increase in revenues. DPW has based its FY 2002-2003 budget proposals on the proposed increase.

The tables we submitted to the Board of Supervisors with the proposed legislation show: (1) that DPW's proposed service level and the addition of four new positions (4.0 FTEs for a full fiscal year and 0.92 FTEs for the remainder of FY 2001-2002) would require a 196% increase in revenues from excavations (2) that maintaining the existing level of service would require a 135% increase in revenues and (3) DPW advises that no fee increase would result in a reduced service level through the elimination of five positions (5.0 FTEs in a full fiscal year). The tables also detail the specific positions that would be added, maintained, or eliminated under each of the above scenarios, the proposed fee modifications for various levels of service and the impact on specific services of differing fees.

The proposed fee structure differs from the existing fee structure in two key ways: (a) the new fee structure recognizes that larger excavation projects cost the City more to inspect and administer per square foot of excavation than smaller projects and therefore classifies excavation projects as "small," "medium," and "large" and (b) charges for inspection fees will be based on the duration of an excavation project rather than the square footage. Small projects would be those that are 100 square feet or less, medium projects would be those that are greater than 100 and no greater than 1,000 square feet and large projects would be those greater than 1,000 square feet.

The average "small" excavation project is 15 square feet and lasts 14 days. Examples of small projects include the many gas and water hook-ups installed or replaced throughout the City. The average "medium" excavation project is 187 square feet and lasts 25 days. Two recent examples of medium-sized projects include: (a) the relocation of multiple telecom conduits on 4th Street between Townsend and Berry and (b) an emergency sewer repair of about 150 square feet at the intersection of Mission and Beale Streets. The average "large" excavation project is 3,334 square feet and lasts 19 days. Two recent examples of large-sized projects include: (a) the installation of multiple telecom conduits on Kearny Street from Market to Pine Streets and on Mission Street from Stuart to 11th Streets and (b) the replacement of gas mains by Pacific Gas & Electric on Geary Boulevard between 38th and 45th Avenues and on 3rd Street between Palou and Hudson Avenues.

We performed analysis, summarized in Tables 5 and 6 that were submitted to the Board of Supervisors, to determine the cost of administering and inspecting the different sizes of excavation permits. The tables show that small excavation projects have few administrative costs beyond those for permit review inspection and that a fixed fee of $66 for Administrative/Permit costs per permit and $16 per permit for Inspection Fees reflects the cost of small permits. As projects get larger in scope, the costs to the City for public information, response to calls and complaints, printing, billing, and general administration, increase. Therefore, it makes sense to continue charging Administrative/Permit Fees based on a per block charge. The problem with the current fee structure is that for Inspection Fees, it does not account for the duration of a project. There is a correlation between the duration of an excavation project and: (1) the number of hours required for DPW to analyze opportunities for joint excavations (in which two or more companies perform excavations simultaneously) (2) attending coordination meetings and (3) the number of hours of inspection required during an excavation. Therefore, DPW is recommending basing Inspection Fees on the duration of an excavation project. The salaries used in calculating costs, include mandatory fringe benefits as well as DPW's overhead based on DPW's Indirect Cost Plan. City-wide indirect costs are now included in DPW's estimation of total costs.

The tables below show the fees collected under the existing fee structure for hypothetical average small, medium, or large projects compared with the fees that would be collected under the proposed fee structure.

Administrative Fees
Based on Average-Sized Projects

Project Size	Existing Fee Structure	Proposed Fee Structure	% Difference
Small	$26.03	$ 66.00	154%
Medium	75.64	251.12	232%
Large	342.77	1,508.20	340%

Inspection Fees
Based on Average-Sized Projects

Project Size	Existing Fee Structure	Proposed Fee Structure	Difference
Small	$11.89	$ 16.00	35%
Medium	$149.56	1,386.21	827%
Large	$2,667.55	5,174.21	94%

Other Code Modifications

The proposed legislation includes a number of other proposed modifications to the Excavation Code. These include:

- The proposed ordinance adds a provision to the section that provides for notification of responsible parties of violations of the code. The proposed addition requires the Director of DPW to send written, electronic, or fax notification to violators of the Excavation Code regarding the violation and the manner in which it should be remedied. It would also allow the Director of DPW to adopt additional procedures with regard to implementing administrative penalties. Existing code does not specify the manner in which notification is to be transmitted, and does not specify that the Director must specify the manner in which the violation should be remedied.

- The proposed ordinance would allow recipients of excavation permits to request a refund of an inspection fee if an excavation project is completed prior to the permit expiration date. Such a refund would be proportionate to the number of days that a project was completed early and would require verification that the project was completed early, that all work has been satisfactorily completed, and that there are no outstanding fines or penalties pending against the permittee. The proposed ordinance would allow DPW to charge $110 for the actual cost to the Department of verifying, calculating and processing the refund. Existing law does not provide for refunds because there are no fees currently based on project duration. Under the proposed fee structure, the duration of a project would be estimated at the time of the application but it is not fixed. Refunds are for finishing a project early. DPW anticipates that some excavators may, reasonably, want refunds if their project is completed in less time than was estimated when they submitted their application. There are no refunds for administrative fees because these fees pay for fixed costs of administering the code and reviewing applications and are not dependent on the length of projects.

- The proposed ordinance would require that, before any modifications can be made to a permit, DPW would have to approve any such modifications and that the terms and conditions of the permit should include the permit application and all information submitted with it, all Department orders and regulations applicable to it. Applicants for permit modifications will be subject to administrative fees This permit modification language was added to encourage applicants to plan and schedule their projects more realistically and to recover the Department's additional costs for review and approval. The volume of permit modifications and extensions has grown significantly in recent years. In FY 1999-2000, 16% of all permit reviews and approvals were for extensions and modifications. In FY 2000-2001, 33% of all permit reviews and approvals were for extensions and modifications.

- The proposed ordinance would require written explanation of requests to postpone the permitted start date of an excavation project or to extend the duration of a project in progress. The proposed ordinance would require such a written explanation to specify the additional number of days needed for the project and for the request to be accompanied by the applicable fees. The proposed ordinance would also require that the request be submitted at least five days prior to the proposed excavation start date or the permit expiration date. The proposed ordinance would allow the Director of DPW to require the permittee to meet special conditions related to such extensions. The Director of DPW would be prohibited from allowing postponements of the start date after the permitted

start date and from allowing extensions to the duration of an excavation project after the permit expiration date. The proposed ordinance would add more specificity to the processes for requesting a modification of the start date of excavation work or duration of the work. These changes are proposed because to promote better planning and coordination of excavation projects.

- The proposed ordinance would allow the Director of DPW, at his or her sole discretion and upon written request from the permittee, to amend permits for the purpose of: (a) changing the method of construction (b) advancing the start date of excavation or (c) modifying permit conditions. The proposed ordinance requires that such requests include a written explanation for the proposed amendment and that such proposals be accompanied by the applicable fees. In granting such an amendment, the Director may require the permittee to comply with special conditions as determined by the Director. The proposed ordinance would prohibit the Director from granting requests for amendments to the excavation after the permit expiration date.

  Existing law (Section 2.4.43 of the Excavation Code) authorizes the Director of DPW to require an applicant or permittee to pay any sum in excess of the amounts charged in instances in which administration or inspection of an excavation will be unusually costly to the Department. The Department does not currently collect fees for other types of permit amendments because the Department has not previously been granted specific authorization by the Board of Supervisors to do so. The proposed ordinance would authorize the Department to collect such fees for these amendments, such as changing the method of construction from that specified in the original permit application.

- The proposed ordinance will allow either the owner or the owner's agent to be the permittee on a project and require that both the owner and agent comply with liability and indemnity requirements and that either the owner or agent comply with insurance provisions to protect the City. Owners would also be required to comply with taxable possessory interest provisions. The City Attorney wants to make sure that we can hold everyone responsible for the work of the subcontractors. The owner is not always the permittee, so we propose adding language so the code will say the owner, permittee or agent are responsible.

- The proposed ordinance would define "willful noncompliance" to include deliberate acts that result in failure to: (a) satisfy any terms and conditions of the Excavation Code or any requirements of DPW (b) pay any outstanding assessments, fees, penalties as determined by the City or a court.

- The proposed ordinance would require a report by the Director of DPW to the Board of Supervisors within one year after the approval of the proposed ordinance and every three years thereafter. Such reports would provide recommendations, if appropriate, regarding adjustments to inspection and administrative fees related to excavations to ensure that the City recovers its costs related to inspecting and administering excavation projects. The first report to the Board of Supervisors regarding the proposed changes in the Inspection and Administrative Fees for excavations would be due one year after the Mayor signs the proposed ordinance. We anticipate that this would be in March or April of 2003.

City and County of San Francisco

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ATTACHMENT II

Memorandum

March 7, 2002

To: Harvey Rose
Budget Analyst

From: Douglas Legg
Finance and Budget Division

Re: Proposed Excavation Fee Increases

This memo has been revised to incorporate direction given by the Finance Committee on February 27; estimated revenues from DPW's proposed fee increase have been revised to reflect collection of the Citywide overhead costs (COWCAP). This is in response to your request for information regarding DPW's recommended fee increase.

The general purpose of the legislation is to restructure the basis upon which Inspection and Administrative fees for excavations are charged. Such changes will more closely correlate the fees charged to the actual cost of providing the services. Our recommended increase will allow us to fully recover our costs for providing the services. It will also allow us to add four additional positions so that we can provide services in a more timely manner.

The following tables present the various staffing and fee scenarios:

Revenues and Expenditures Without Recommended 196% Fee Increase But With Addition of Four New Positions

Anticipated FY 2002-2003 Revenues Without Recommended Fee Increase	$776,648
Anticipated FY 2002-2003 Expenditures With Addition of Four New Positions	$2,299,776
Difference (Shortfall)	($1,523,128)

Revenues and Expenditures With Recommended 196% Fee Increase And With Addition of Four New Positions

Anticipated FY 2002-2003 Revenues With Recommended Fee Increase	$2,299,776
Anticipated FY 2002-2003 Expenditures With Addition of Four New Positions	$2,299,776
Difference (Shortfall)	$0

Revenues and Expenditures With a 135% Fee Increase to Maintain Current Service Level And No Change in Existing Positions

Anticipated FY 2002-2003 Revenues With A Fee Increase to Maintain Current Service Level	$1,826,820
Anticipated FY 2002-2003 Expenditures With No Change in Existing Positions	$1,826,820
Difference (Shortfall)	$0

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Memorandum

March 7, 2002

To: Harvey Rose
Budget Analyst

From: Douglas Legg
Finance and Budget Division

Re: Proposed Excavation Fee Increases

This is in response to your request for information regarding the four requested new positions (4.0 FTEs on an annualized basis and 0.92 FTEs for the remainder of FY 2001-2002). The budgeted funds for these proposed positions assume an April 1, 2002 start date. Such positions are as follows:

(1) 6230 Street Inspectors- We propose adding 2.0 FTEs on an annualized basis (0.46 FTE for the remainder of FY 2001-2002). These positions will allow us to inspect all medium and large excavation projects once ever four days and every two days, respectively to enforce the Excavation Code, guarantee pavement smoothness, minimal traffic interruption and ensure that work is conducted according to adopted construction standards. Specifically, each position would perform the following work: inspections of excavation sites throughout the City. Without these positions, inspections will take place once every nine days (medium) and four days (large) which we do not believe is adequate to enforce the Excavation Code or to minimize the impact of Excavations on the public.

(2) 5362 Engineering Assistant I- We propose adding a 1.0 FTE Engineering Assistant I on an annualized basis (0.23 FTE for the remainder of FY 2001-2002). This position will allow us to process permits in a much more timely manner. This position would perform the following work: process excavation permits, review and plan check engineering drawings submitted with permit applications; provide information and education to excavators on Excavation Code requirements.

(3) 1408 Principal Clerk- We propose adding a 1.0 FTE Principal Clerk on an annualized basis (0.23 for the remainder of FY 2001-2002). This position will process billings, produce annual reports, and update public information on the SCCC's web site. Higher paid Engineering Associates and an Engineering Assistant currently do billing. The addition of the Principal Clerk

will allow these people to process permit applications in a much more timely manner, as was shown in Table 1 of our original submittal to the Board of Supervisors. This position would perform the following work: take complaints and requests for action on the telephone and ensure that action has been taken, send out bills to permittees and permittees who have been given Notices of Violation, maintain billing records perform administrative work required to produce annual reports, meeting mailing lists, maintain information on Excavators to ensure they meet administrative requirements of the Excavation Code, update data on the SCCC's web site.

Detailed job descriptions are attached to this memorandum.

By adding these four positions, the Street Construction Coordination Center will be able to provide the service that was envisioned when the revision to the Excavation Code was adopted in 1998. All medium and large excavations will be inspected often enough that the City will be able to identify and correct violations to the Code, which include poor repaving, excavations that are performed so as to damage or threaten City infrastructure like water lines, or excavations outside of permitted hours. In addition, permits for excavations will be processed on a much more timely basis. As shown on the previously referenced Table 1, we will be able to process between 60-70% of our medium and large excavation permits within 10-15 days. Without the additional staff, we will only be able to process 10-15% of these permits in that amount of time. Finally, we will improve the efficiency of our revenue recovery through more frequent billings.

We believe that all four of these positions are necessary to meet the increased demand for excavation services that has occurred in recent years and that we anticipate during the next five years, as well as the expectation of the Board of Supervisors and the public for better enforcement of the Code.

While the level of excavation will not be as high in FY 2002-03 as it was in FY 2000-01, we have based our proposed staffing request on an analysis of the number of staff hours it will require to provide services promised when the Excavation Code was revised. It is true that in FY 2000-2001, 9,168 blocks of pavement were excavated and in FY 2001-2002, we anticipate 7,764 blocks will be excavated. The number will grow again in FY 2002-2003, when we anticipate that 7,964 blocks will be excavated. We would like to point out that while there was a decrease in excavation activity from FY 2000-2001 to FY 2002-2003, FY 2000-2001 was a year in which excavation activity greatly exceeded that of a typical year. With the existing staff levels, we were unable provide timely service given this level of activity. Even though we do not anticipate a return to the extremely high level of excavation activity experienced during the boom year FY 2000-01 we would not be able to provide comprehensive or timely services with our existing staffing levels for the levels of activity that we do anticipate.

In summary, the services that we would be able to provide in a more comprehensive and timely manner if we add the proposed positions include the following:
-adequate number of inspections of medium and large excavation projects
-processing permit requests
-responding to complaints
-responding to Code variance requests
-processing requests for extensions
-providing information to the public regarding excavation projects
-more frequent billing for permits
-more frequent sending of notices of violations
-more frequent collections follow-up
-more frequent performance and budget reporting
-earlier implementation of proposed system improvements (permits online, web site improvements)

As shown in our submittals, increased revenues based on our recommended fee increase would be necessary to fund these four proposed new positions.

[5362]
Duties and Responsibilities/Performance Criteria

- Processes and approves utility excavation permits manually and through electronic permitting;
- Reviews and plan checks engineering drawings for approval of utility excavation permits for compliance with the Public Works Code and other Department regulations and policies;
- Coordinates with utility company representatives regarding construction conflicts, street-use regulations and street status and discuss issues with contractors and sub-contractors regarding permits and special condition to the permits;
- Assists in reviewing and entering large major projects(projects lasting from 15 days or more calendar days);
- Creates macros that generate reports and updates information on the weekly construction report;
- Informs and trains utility company representatives on the electronic permitting application process, approval procedure and code requirements through SCCC monthly workshops;
- Contacts and negotiates with utility company representatives and developers regarding construction and street-use regulations, trench excavations and special paving requirements for newly paved streets;
- Creates reports and produces maps of active permits to overlook current projects and maps to be used for planning and neighborhood meetings;
- Creates fiscal year summary reports.

[1408]
Duties and Responsibilities/Performance Criteria

A. Telephones – routing and intake of calls, logging and follow-up for requests for action.
   a. Enters request for action in Access database. Research complaints on follow-up calls.
   b. Answer inquiries of other departments related to office activities and assists in resolving a wide variety of problems and complaints.
   c. Front office assistance to customers.
   d. General administrative support – copies, typing, faxing mailings, file maintenance, scheduling meetings and appointments, ordering of supplies for offices.

B. Maintain information of all utilities working in the Public Right-of-Way to ensure each has proper and current documents, including a UCP (Utility Conditions Permit), Franchise agreement, insurance, business tax certification and to notify the utility when they are out of compliance. The database for tracking information is Access. The database includes the Type of agreement; Expiration dates for UCP; Expiration dates for Insurance; Expiration dates for Tax Registration; Facility; Plan; Security Deposit and Business.

C. Involved with review of documents for insurance and surety bond deposits, with as-needed assistance from Keith Grand, Risk Manager for inquires requiring special attention.

D. Participate in the preparation and maintenance of a variety of special records and reports; 5 Year Plan; as-needed reports by the manager; maintaining Special Traffic Permits (active and inactive files), and Caltrans Encroachment Permits.

E. Exercising individual judgment and knowledge of applicable laws, regulations and procedures concerning requests for action for inspectors' attention and responsibility.

F. Maintain mail lists for notification of meeting agendas and minutes.

G. Maintain billing and collection records for utility excavation permits, Notices of Violations, and Special Inspections. Send out invoices and collect monies due.

[6230]
Duties and Responsibilities/Performance Criteria

Under direction, is responsible for:

- Inspecting sidewalks, roadways, and utility trenches for conformance to City regulations.
- Investigating citizen, interdepartmental, and claim-related complaints pertaining to the conditions or uses of sidewalks, roadways, or any structures of, on, or in the City's and pedestrian's right-of-way.
- Initiating corrective action of 100% of complaints within 24 hours.
- Notifying responsible parties to render corrective action when and where required.
- Conducting follow-up inspections and re-notifications to insure compliance to repair notices and citations.
- Conducting on-site meetings/off-site contacts with citizens, interdepartmental personnel, and contractors.
- Assisting in conduction neighborhood informational meetings, district sweeps and inspections for compliance to City right-of-way and quality-of-life issues.
- Other related duties as assigned.
- Conducting Pre construction meetings and final walk through with permittee and permittee's contractor.

Purpose of Fees	Current Fees	Actual Revenues in FY 2000-2001 With Current Fees	DPW Recommended Fee*	Projected Revenues in FY 2002-2003 With Proposed Fee Increase
Administrative/ Permit	$0.80 per square foot for all projects	$229,200	**Small Projects- $66 per permit** **Medium Projects- $83 per block** **Large Projects- $110 per block**	$680,306
Inspection	$25 per block for all projects	$589,346	**Small Projects- $16 per permit** **Medium Projects- $55 per day for duration of project** **Large Projects- $81 per day for duration of project**	$1,619,470
TOTAL FEES		**$818,546**		**$2,299,776**

*The proposed ordinance would define a "small" project as one that is 100 square feet or less, a "medium" project as one that is greater than 100 square feet but no greater than 1,000 square feet, and a "large" project as one that is greater than 1,000 square feet.

Item 4 - File 02-0059

Note: This item was continued by the Finance Committee at its meeting of February 27, 2002.

Department:	Department of Human Resources (DHR)
Amount:	$8,901,795
Source of Funds:	FY 2001-2002 budget of 36 City Departments
Item:	Hearing to consider release of reserved funds in various City Departments (Fiscal Year 2001-2002 budget), in the amount of $8,901,795 representing 3 ½ months of Salaries and Fringe Benefits for 242.6 FTE Special Assistant Positions.
Description:	In the FY 2001-2002 budget, the Board of Supervisors appropriated and placed on reserve $15,260,220 for salaries and fringe benefits for 242.6 FTE Special Assistant positions that were to be reclassified under the Citywide Management Classification and Compensation Plan. The amount of $15,260,220 represents 50 percent, or six months, of the Salaries and Fringe Benefits for 242.6 FTE Special Assistant positions represented by the Municipal Executives Association (MEA)

At the Finance Committee meeting of December 12, 2001 (File 01-1818), the Committee released one month of the six months reserve or $2,543,370 for Salaries and Fringe Benefits related to these positions. Subsequently, at the Finance Committee meeting of January 30, 2002 (File 02-0059), the Committee released the second month of the six months reserve or $2,543,370 for Salaries and Fringe Benefits related to these positions.

Finally, at the February 27, 2001 meeting of the Finance Committee, the Committee released $1,271,685, representing two additional weeks of the six months reserve for Salaries and Fringe Benefits, resulting in a remaining reserve of $8,901,795.

Comment: This item is related to Item 5 - File 02-0125 in this report to the Finance Committee concerning the requested release of $237,002 representing 3 ½ months of Salaries and Fringe Benefits reserved for 12 Treasure Island Development Authority Special Assistant positions.

Recommendation: Approval of the requested release of reserved funds is a policy decision for the Board of Supervisors.

Item 5 - File 02-0125

Note: This item was continued by the Finance Committee at its meeting of February 27, 2002.

Department:	Business and Economic Development, Treasure Island Development Authority (TIDA)
Amount:	$237,002
Source of Funds:	FY 2001-2002 budget of the Treasure Island Development Authority
Item:	Hearing to consider release of reserved funds, Treasure Island Development Authority (Fiscal Year 2001-2002 budget), in the amount of $237,002 representing 3 ½ months of Salaries and Fringe Benefits for 12 Treasure Island Special Assistant positions.
Description:	In the FY 2001-2002 budget, the Board of Supervisors appropriated and placed on reserve $406,290 for salaries and fringe benefits for Treasure Island. The amount of $406,290 represents 50 percent, or six months, of the Treasure Island Development Authority's Salaries and Fringe Benefits for 12 Special Assistant positions. At the Finance Committee meeting of December 19, 2001 (File 01-2183), the Finance Committee released one month of the six months reserve or $67,715 for Salaries and Fringe Benefits related to these twelve positions. Subsequently, at the Finance Committee meeting of February 6, 2002 (File 02-0125), the Finance Committee released the second month of the six months reserve or $67,715 for Salaries and Fringe Benefits related to these twelve positions. Finally, at the February 27, 2001 meeting of the Finance Committee, the Committee released $33,858, representing two additional weeks of the six months reserve for Salaries and Fringe Benefits, resulting in a remaining reserve of $237,002.

Comment: This item is related to Item 4 - File 02-0059 in this report to the Finance Committee concerning the requested release of $8,901,795 in reserved funds representing 3 ½ months of Salaries and Fringe Benefits reserved for 242.6 FTE Special Assistant positions in 36 City Departments with respect to the City-wide Management Classification and Compensation Plan.

Recommendation: Approval of the requested release of reserved funds is a policy decision for the Board of Supervisors.

Item 7 - File 02-0244

Department: Port of San Francisco

Item: Resolution approving a new lease agreement between the City and County of San Francisco operating by and through the San Francisco Port Commission and Breda Transportation, Inc. for shed space, loading dock space and office space at Pier 80.

Location: Pier 80

Purpose of Lease: To provide Breda Transportation, Inc. with shed space to assemble and retrofit light rail vehicles (LRVs), loading dock space to transfer the parts and materials needed to assemble and retrofit LRVs and office space for administrative support of the LRV work.

Lessor: Port

Lessee: Breda Transportation, Inc. (Breda)

No. of Sq. Ft. and Monthly Rental Rate charged to Breda:

	Rent per square foot per month	Monthly Rent
169,620 sq. ft of shed space (Shed D)	$0.38	$64,455
4,850 sq. ft of loading dock space	0.20	970
1,700 sq. ft of office space	1.00	1,700
176,170 Totals		$67,125

The monthly rent would be $67,125 from the commencement date of this proposed lease, anticipated to commence upon approval of the subject resolution by the Board of Supervisors, until December 31, 2002. Beginning January 1, 2003, the monthly rent will increase by $5,090 from $67,125 to $72,215 due to an increase of $0.03 or an increase of 7.9 percent, in the monthly rental rate per square foot for Shed D from $0.38 to $0.41 per square foot per month. The monthly rental rate per square foot for the loading dock space and the office space would not change (see Comment No. 6).

Utilities and Janitorial Service: According to the terms of this proposed lease, Breda is required to pay for utilities and janitorial services.

Term of Lease: March 1, 2002 to June 30, 2003 (16 months) (see Comment No. 2).

Right of Renewal: One, 18-month option to extend the term of this proposed lease agreement beginning on July 1, 2003, at a rate of $79,000 per month.

Description: The proposed resolution would authorize a new 16-month lease with one 18-month option to extend the term of the lease, of 176,170 square feet of space at Pier 80, which is under the jurisdiction of the Port, to provide Breda with shed space, dock space and office space.

Comments:

1. Attachment I is a memorandum from Mr. Phil Williamson of the Port which advises that the existing five-year lease agreement between Breda and the Port expired on February 28, 2002. Mr. Williamson advises that Breda currently assembles and retrofits Light Rail Vehicles (LRV) for the Municipal Railway (MUNI) at Pier 80. According to Mr. Williamson, the existing lease agreement is for 164,397 square feet of shed space and 1,700 square feet of office space for a total of 166,097 square feet. Mr. Williamson states that the existing lease did not provide for loading dock space because Breda believed that it would be able to transfer parts and materials to assemble and retrofit the LRVs through the shed space doors. However, based on an inquiry from the Budget Analyst, Mr. Williamson acknowledged that Breda has used the loading dock space at Pier 80 intermittently over the past five years to transfer parts and materials but that the Port has not charged any rent to Breda for such loading dock space. The Budget Analyst questions why the Port did not charge any rent to Breda for such loading dock space. Under the terms of the proposed lease, Breda would be charged a rental rate of $0.20 per square foot per month for loading dock space. The

Budget Analyst estimates that if this rate of $0.20 per square foot per month had been charged for the 4,850 square feet of loading dock space over the past five years, the Port would have collected an additional $58,200 ($0.20 x 4,850 x 60 months) of revenue. Mr. Williamson advises that the Port would not attempt to collect any back rent for the prior intermittent use of the loading dock space and the Port is satisfied with the terms of the proposed lease with respect to the rental rate for the subject loading dock space.

According to Mr. Williamson, the monthly rent payable by Breda to the Port under the existing lease agreement as of February 28, 2002, was $46,520 based on a monthly rental rate of approximately $0.28 per square foot for the 166,097 square feet of shed and office space (see Comment No. 3 below).

Under the proposed new lease agreement, Breda will lease 169,620 square feet of shed space, an increase of 5,223 square feet or 3.2 percent, 1,700 square feet of office space, the same amount as under the existing lease, and new space of 4,850 square feet for loading dock space, for a total of 176,170 square feet as compared to 166,097 square feet under the existing lease. Therefore, the proposed new lease includes a total of 10,073 additional square feet (5,223 additional square feet of shed space and 4,850 of loading dock space). Mr. Williamson advises that Breda has requested a new lease in order to fulfill contract obligations with MUNI to assemble 22 Breda LRVs which are anticipated to be completed in October of 2002 and the on-going retrofit of 51 Breda LRVs which are anticipated to be completed in May of 2003. Additionally, as stated in Attachment I, Breda also anticipates using the space for other work for MUNI and potentially for assembling and/or repairing vehicles for other transit agencies.

2. Mr. Williamson advises in Attachment I that the Port had planned on submitting this proposed resolution for the subject lease agreement to the

Board of Supervisors prior to March 1, 2002, when it was anticipated that the subject new lease would begin. However, according to Mr. Williamson, Breda informed the Port that negotiations with one of its unions, the International Brotherhood of Electrical Workers (IBEW), was likely to result in a labor strike at Breda's Pier 80 premises and the Port decided to wait for the resolution of this labor dispute before submitting this proposed lease to the Board of Supervisors. Mr. Williamson further advises that the labor dispute has since been successfully resolved and the IBEW and Breda have signed a new labor agreement. According to Mr. Williamson, the subject proposed lease agreement would begin when the proposed lease agreement is approved by the Board of Supervisors.

3. As noted above, the existing lease agreement with Breda expired on February 28, 2002. Mr. Williamson states in Attachment I that the terms of the existing lease agreement contained a holdover provision that allowed Breda to continue the use of the property on a month-to-month holdover basis for the 166,097 square feet of shed and office space at an increase in the monthly rent of $7,480, effective March 1, 2002, or an increase of approximately 16.1 percent from $46,520 to $54,000 until the proposed new lease agreement is approved by the Board of Supervisors. Upon approval of the proposed new lease, the new monthly rent will be $67,125, an increase of $13,125. However, the Budget Analyst notes that the new monthly rent of $67,125 is for a total of 176,170 square feet (169,620 square feet of shed space, 4,850 square feet of loading dock space and 1,700 square feet of office space), which is 10,073 square feet more than the existing lease agreement for 166,097 square feet of space. The average monthly rental rate under the existing month-to-month holdover lease is approximately $0.33 per square foot ($54,000/166,097 square feet), which would increase to approximately $0.38 per square foot ($67,125/176,170 square feet), or an increase of $0.05 per square foot or approximately 15.2 percent.

4. Attachment II, provided by Mr. Williamson, compares the monthly rental rate for the shed space, loading dock space and office space as of February 28, 2002, when the existing lease expired, the current rent, the proposed rent and the related percentage increases in rent by the type of space.

5. The proposed lease states that the maintenance and repair of the subject premises would be the sole responsibility of the lessee with the exception of maintaining a watertight condition for the roof and the exterior walls of the shed, which will be done by the Port. Mr. Williamson advises that given the current good condition of the roof and exterior walls, the maintenance and repair costs associated with the roof and the exterior walls of the shed should be insignificant for the Port over the term of the proposed lease.

6. Mr. Williamson advises in Attachment I that the proposed monthly rental rate for the shed space increases over the term of the proposed lease, including the 18-month option, from an initial rate of $0.38 per square foot per month to a final rate of $0.51 per square foot for an average of $0.44 per square foot over the term of the proposed lease agreement. According to Mr. Williamson, negotiations between the Port and Breda resulted in the monthly rental rate of $0.20 per square foot for the 4,850 square foot of loading dock space and in the monthly rental rate of $1.00 per square foot for the 1,700 square feet of office space. Based on negotiations, these rates to be charged to Breda would not increase over the 16-month term of the proposed new lease agreement and the 18-month option period.

7. The Budget Analyst notes that the proposed lease agreement with Breda, includes an initial rental rate for the shed space which is $0.38 per square foot. This is $0.07 or 15.6 percent below the Port Commission's existing approved leasing parameters of $0.45 per square foot, as noted in Attachment I. However, Mr. Williamson advises in

Attachment I that the proposed average monthly rental rate over the life of the 16-month lease, plus the 18-month option period is $0.44 per square foot for shed space, or only $0.01 below the Port Commission's approved leasing parameter of $0.45 per square foot. Furthermore, Mr. Williamson advises that the Port Commission has approved this subject proposed lease which was a result of negotiations between the Port and Breda.

8. Although, Mr. Williamson advises that the proposed rental rates represent current fair market value, the Budget Analyst notes the following: (a) this subject lease is initially proposed to be $0.38 per square foot for shed space, which is 15.6 percent or $0.07 below the Port Commission's existing approved leasing parameters of $0.45 per square foot; (b) the average rate of $0.44 per square foot over the life of the proposed 16-month lease and 18-month option period is $0.01 below the Port Commission's existing approved leasing parameters of $0.45 per square foot; (c) Breda has used the loading dock space intermittently for the past five years with no rent being charged by the Port to Breda and the Port would not recover any back rent for prior use of the loading dock space; (d) rental rates for the loading dock space and the office space do not increase over the 16-month term of the proposed new lease agreement and the 18-month option period and, (e) Breda also anticipates potentially using the space for assembling and/or repairing vehicles for other transit agencies besides the Municipal Railway.

Therefore, the Budget Analyst considers the approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

PORT OF SAN FRANCISCO

MEMORANDUM

DATE: March 7, 2002

TO: Maureen Singleton, Budget Analysts Office, Board of Supervisors

FROM: Phil Williamson

RE: File No. 02-0244; Proposed Lease to Breda Transportation, Inc.

This memorandum is in response to your request for additional information about the lease of Pier 80, Shed D to Breda Transportation, Inc. ("Breda").

The Port currently leases the Pier 80, Shed D facility to Breda under the terms of a 5 year lease that terminated on 2/28/02. The leased premises are used by Breda to assemble and retrofit light rail vehicles according to a separate contract between Muni and Breda. Breda has requested a new 16 month lease of the premises in order to fulfill contract obligations to Muni and potentially attract new work from Muni or other transit agencies seeking to assemble and/or repair light rail vehicles.

The existing lease contains a "holdover" provision allowing the tenant to continue use of the property on a month-to-month basis provided the Port has not otherwise decided to vacate the premises. In the holdover period either party may terminate the lease by providing a thirty-day written notice to the other party. Per the lease, rent during any holdover period increases from the existing rate of $46,520 to $54,000 per month (a 16% increase). The proposed lease has an initial rental rate of $67,125 per month (a 44% increase over the existing rate) commencing upon lease execution, with a programmed rent increase to $72,215 per month on January 1, 2003. Should Breda exercise an 18-month option to extend the lease on July 1, 2003, the rate again increases to $79,000 per month and on January 1, 2004, the rate increases to $89,175 per month.

The premises of the proposed lease include 169,620 square feet ("s.f.") of shed space, 4,850 s.f. of loading dock space, and 1,700 s.f. of support office space. The monthly rental rate increases noted above reflect adjustments to the monthly shed space rental rate from an initial $0.38 per s.f. to a final $0.51 per s.f. for an average of $0.44 per s.f. over the term of the proposed lease. Given the relative scale of the loading dock and support office spaces in comparison to the shed space, rental rates for these areas remain constant throughout the term of the proposed lease at $0.20 and $1.00 per s.f. respectively. Please note that the loading dock space is not included in the existing lease as its use was not anticipated during the original lease negotiations. It was believed that all materials would enter the facility through ground level doors. While the vast majority of material does enter through these doors, to my knowledge Breda has in fact used the loading dock

Source: Port of San Francisco

intermittently over the term of the existing lease. As such, negotiations for the proposed lease addressed this matter by including the loading dock space and charging a rental rate of $0.20/s.f. that acknowledges its past intermittent use.

The Port Commission ("Commission") has approved the terms of the proposed lease and has recognized that the average monthly rental rate for the shed space is $0.01 below Commission–approved leasing parameters ($0.44 per s.f. versus a minimum parameter rate of $0.45 per s.f.). The Commission has in essence pre-approved those leases which Port staff has managed to negotiate above these parameters. When a proposed lease is below the leasing parameters, the Commission is required to review and approve the lease on a case-by-case basis.

The Commission has approved the terms of the proposed lease as negotiated by Port staff and, based on all aspects of the proposed lease, the proposed base monthly rent represents fair market value. Other factors influencing the Commission's decision to approve the proposed Breda lease include Breda's past improvements to the property totaling approximately 1.6 million dollars, Breda's integral role in producing light rail vehicles for the City's Municipal Railway and a desire to retain excellent tenants in a softening Real Estate market.

The Port appreciates your efforts to calendar this proposed lease as soon as possible. The Port had planned to bring this lease to the Board of Supervisors sooner and thereby allow ample time for review. However, a labor dispute between Breda and the International Brotherhood of Electrical Workers ("IBEW") and the threat of a labor strike at the Pier 80 facility delayed the delivery of the proposed lease. Upon successful resolution of the labor dispute, the proposed lease was promptly delivered for your review.

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Source: Port of San Francisco

Attachment II

PORT OF SAN FRANCISCO

MEMORANDUM

DATE: March 6, 2002

TO: Maureen Singleton, Budget Analysts Office, Board of Supervisors

FROM: Phil Williamson

RE: File No. 02-0244; Proposed Lease to Breda Transportation, Inc.

This memo is in response to your request for additional information about the lease of Pier 80 Shed D to Breda Transportation, Inc. The following table compares existing rent to both holdover rent and proposed rent.

Document	Size of Premises (s.f.)	Rate per Square Foot	Monthly Rent	Percent Increase
Existing Lease Through 2/28/02	Shed: 164,397	$0.2801	$46,047.60	N/A
	Office: 1,700	$0.2801	$ 472.40	N/A
Existing Lease During "Holdover"	Shed: 164,397	$0.3251	$53,452.02	16%
	Office: 1,700	$0.3251	$ 547.98	16%
Proposed Lease From Commence-ment – 12/31/02	Shed: 169,620	$0.38	$64,455.60	16%
	Office: 1,700	$1.00	$ 1,700.00	208%
	Dock: 4,850	$0.20	$ 970.00	N/A
Proposed Lease From 1/1 – 6/30/03	Shed: 169,620	$0.41	$69,544.20	8%
	Office: 1,700	$1.00	$ 1,700.00	N/A
	Dock: 4,850	$0.20	$ 970.00	N/A
* Proposed Lease From 7/1 – 12/31/03	Shed: 169,620	$0.45	$76,329.00	10%
	Office: 1,700	$1.00	$ 1,700.00	N/A
	Dock: 4,850	$0.20	$ 970.00	N/A
* Proposed Lease From 1/1 – 12/31/04	Shed: 169,620	$0.51	$86,506.20	13%
	Office: 1,700	$1.00	$ 1,700.00	N/A
	Dock: 4,850	$0.20	$ 970.00	N/A

Total Rent over the term of the proposed lease is $2,648,640.00 inclusive of the option period.

* If tenant exercises 18-month option to extend lease.

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Source: Port of San Francisco

Item 8 - File 01-1773

Note: At the Finance Committee meeting of February 27, 2002, the Committee released $221,000 out of the previously reserved funds of $253,237, with the remainder of $32,237 continued on reserved.

Departments: Department of Administrative Services (DAS)
Department of Elections (DOE)

Item: Hearing to consider release of reserved funds in the amount of $32,237 for the Reapportionment Project.

Amount: $32,237

Source of Funds: General Fund

Description: The proposed request by the Department of Elections is to release $32,237 of funds that were originally placed on reserve by the Finance Committee in the FY 2001-2002 budget to pay for a portion of the costs for the consultants for facilitation of neighborhood meetings, as part of the Reapportionment Project.

The total amount which was originally placed on reserve during the FY 2001-2002 budget for the Reapportionment Project was $253,237. On February 27, 2002, the Finance Committee released $221,000 of the $253,237 originally placed on reserve, to fund the costs of various consultants, computer software and monitors, training, staff salaries, materials and supplies, public announcements, public meetings, and miscellaneous expenses. Approval of that $221,000 release left the current balance of $32,237 on reserve.

As previously reported, as part of the Reapportionment Project, the Elections Task Force proposes to utilize consultants for facilitation of neighborhood meetings at a total cost of $43,000 (an average cost of approximately $3,910 per meeting for 11 neighborhood meetings).

Comment: Ms. Tammy Haygood of the Department of Elections advises that the since the Finance Committee recently released $221,000 for the Department to begin work on the Reapportionment Project, there are currently sufficient funds for the Department to begin work on the Reapportionment Project. In addition, Ms. Haygood advises that the Department of Election is currently addressing the needs of the March 5, 2002 election. Therefore, Ms. Haygood requests that the subject $32,237 requested release of reserve for the Reapportionment Project be continued for three weeks, until the April 3, 2002 Finance Committee meeting.

Recommendation: Continue the requested $32,237 release of reserve until April 3, 2002, as requested by the Department.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City Hall
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Goodlett Place
San Francisco, CA
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City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, March 20, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

MEETING CONVENED

The meeting convened at 12:40 p.m.

020411 **[Federal grant funds for the reconstruction of the hillside on San Jose Avenue from Richland to Highland Avenue in San Francisco]**

Supervisor Ammiano

Resolution authorizing the Director of the Department of Public Works to accept and expend up to $230,553 in federal Emergency Relief funds with required local matching funds of $29,871 for reconstruction of the hillside at San Jose Avenue from Richland to Highland in the City and County of San Francisco.

3/11/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the March 20, 2002 meeting.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020318 **[Supplemental Appropriation, HIV/AIDS Services]**

Supervisors Daly, Ammiano

Ordinance appropriating $739,727 from the General Fund Reserve for service for persons living with AIDS and HIV to offset losses of federal funding under the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act for the Public Health Department in fiscal year 2001-02.

(Fiscal impact.)

2/27/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Jim Kahn, UCSF, Associate Director of AIDS Program at San Francisco General Hospital; Bill Hirsh, AIDS Legal Referral Panel; Robert Rybicki, Shanti; Jim Illig, Project Open Hand; Ben Rosenfield, Mayor's Budget Office; James Loyce, Deputy Director of Health, Director of AIDS Office, Department of Public Health; Jim Mitulski, Co-Chair, Mayor's HIV Health Services Planning Council; Catherine Geanuracos, Larkin Street Youth Services; Charlotte Bobek, UCSF Positive Health Program; Morris Fox, Immune Enhancement Project; University of Pacific School of Dentistry; Brian Cahill, Catholic Charities; Andrea Goetz, Glide - HIV AIDS Services; Naomi Prochovnick, Lyon-Martin Women's Health Services; Lori Shmulewitz, Haight Ashbury Free Clinics, Inc.; James Beck, Board of Directors, Haight Ashbury Neighborhood Council; Zach Cook, Quan Yin Healing Arts Center; Ron Stranger Horse, Native American AIDS Project; Christopher Gamora, Native American AIDS Project; Dana Van Gorder, San Francisco AIDS Foundation; Beverly Carnats, Lutheran Social Services; Bob Nelson.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020369 **[MOU - Fire]**

Mayor

Ordinance adopting and implementing the Memorandum of Understanding between Municipal Executives' Association (Fire) and the City and the County of San Francisco to be effective for the period July 1, 2001 through June 30, 2003. (Mayor)

3/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020370 **[MOU - Police]**

Mayor

Ordinance adopting and implementing the Memorandum of Understanding between Municipal Executives' Association (Police) and the City and the County of San Francisco to be effective for the period July 1, 2001 through June 30, 2003. (Mayor)

3/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020252 [2002 Finance Corporation Equipment Program]

Mayor

Resolution approving the form of and authorizing execution and delivery by the City and County of San Francisco of an equipment lease Supplement No. 9 (Series 2002a Bonds) between the City and the County of San Francisco Finance Corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to the equipment to be used for city purposes, a related certificate of approval and a continuing disclosure certificate; approving the issuance of lease revenue bonds by said nonprofit corporation in an amount not to exceed $9,000,000; providing for reimbursement to the City of certain city expenditures incurred prior to the issuance of Lease Revenue Bonds; and providing for the execution of documents in connection therewith and ratifying previous actions taken in connection therewith. (Mayor)

(Fiscal impact.)

2/27/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ben Rosenfield, Mayor's Budget Office; Nadia Sesay, Mayor's Office of Public Finance.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020368 [Supplemental Appropriation - San Francisco's Finance Corp.]

Mayor

Ordinance appropriating $8,420,000 from the sale of lease-revenue bonds by the Mayor's Finance Corporation to fund purchase of equipment citywide for fiscal year 2001-02. (Mayor)

(Fiscal impact.)

3/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ben Rosenfield, Mayor's Budget Office; Nadia Sesay, Mayor's Office of Public Finance.

Amended on page 1, line 4, by replacing "Mayor's" with "San Francisco." New title.

AMENDED.

Ordinance appropriating $8,420,000 from the sale of lease-revenue bonds by the San Francisco Finance Corporation to fund purchase of equipment citywide for fiscal year 2001-02. (Mayor)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

011773 [Reserved Funds, Department of Elections]

Hearing to consider release of reserved funds, Department of Elections, fiscal year 2001-02 budget, in the amount of $32,237 for the reapportionment project. (Elections Department)

10/2/01, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be calendared at the October 17, 2001 meeting.

10/17/01, CONTINUED TO CALL OF THE CHAIR. Hearing held. Speakers: Harvey Rose, Budget Analyst; Tammy Haygood, Director of Elections; Chris Bowman, former member, Citizens Advisory Committee on Elections.

2/27/02, AMENDED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tammy Haygood, Director of Elections; Edward Harrington, Controller.
Release of reserved funds in the amount of $221,000 approved. Consideration of remainder ($32,237) continued to 3/13/02. Title of hearing amended by replacing "$253,237" with "$32,237."

2/27/02, CONTINUED AS AMENDED.

3/13/02, CONTINUED. Heard in Committee. Tammy Haygood, Director of Elections; Quintin Mecke, Task Force on Redistricting; Harvey Rose, Budget Analyst.
Continued to March 20, 2002.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tammy Haygood, Director of Elections.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020248 [Supplemental Appropriation, Department of Elections]

Ordinance appropriating $3,858,870 of the General Reserve and reappropriating $1,800,000 from the lease-purchase of election equipment for a total of $5,658,870 to fund salaries, fringe benefits, other current expenses, materials and supplies, and equipment for the Department of Elections for fiscal year 2001-02. (Elections Department)

(Fiscal impact.)

2/19/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Edward Harrington, Controller; Theodore Lakey, Deputy City Attorney; Tammy Haygood, Director of Elections; Ara Minassian, Administrative Services; Taylor Emerson, Mayor's Budget Office; Debra Newman, Budget Analyst's Office; Commissioner Alex Rosenthal, Elections Commission; Commissioner Tom Schulz, President, Elections Commission; Michael Hennessey, Sheriff; Josh Kaufman.

Question divided. Question concerning Professional and Specialized Services Contracts; Maintenance - Buildings & Improvements; Maintenance Equipment Contract; Rents & Leases - Bldgs. & Improvements; Rents & Leases - Equipment; Other Current Expenses; Judgments - Legal Fees; Taxes, Licenses and Permits; Materials and Supplies; Equipment Loan Payment; and Interdepartmental Recoveries severed and considered separately. See File 020486.

DIVIDED.

Amended on page 2 by replacing "$1,616,129" with "$1,339,544," and replacing "$280,241" with "$237,887."

AMENDED.

Ordinance appropriating $1,372,007 of the General Reserve and reappropriating $1,800,000 from the lease-purchase of election equipment for a total of $3,172,007 to fund salaries, fringe benefits, and other current expenses for the Department of Elections for fiscal year 2001-02. (Elections Department)

(Fiscal impact.)

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020486 **[Supplemental Appropriation, Department of Elections]**

Ordinance appropriating $2,167,924 of the General Reserve to fund other current expenses, materials and supplies, and equipment for the Department of Elections for fiscal year 2001-02. (Finance Committee)

Divided from File 020248.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020251 **[Reserved Funds, Department of the Environment]**

Hearing to request release of reserved funds, Department of the Environment (Fiscal Year 2001-2002 Budget), in the amount of $104,300 to provide professional services in support of Department programs. (Environment)

2/28/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 4/3/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

SPECIAL ORDER - 2:30 PM

The Chair will entertain a motion to continue consideration of the following item (File 020198) to a future meeting:

020198 **[Determination of Fees at Harding Park and Fleming Golf Courses]**

Supervisors Hall, Daly

Ordinance amending Article XII of the San Francisco Park Code by adding Section 12.12 thereto setting forth a fee structure for Harding Park and Fleming Golf Courses.

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.
3/11/02, ASSIGNED to Finance Committee.
3/11/02, SUBSTITUTED to Finance Committee. Supervisor Hall submitted a substitute ordinance bearing same title.

Speakers: None.
Continued to 3/27/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 5:04 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 14, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: March 20, 2002 Finance Committee Meeting

Item 1 – File 02-0411

Department: Department of Public Works (DPW)

Item: Resolution authorizing the Director of Public Works to accept and expend up to $230,553 in Federal Highway Administration funds, with required local matching funds of $29,872 for reconstruction of the hillside at San Jose Avenue from Richland Avenue to Highland Avenue in the City and County of San Francisco.

Grant Amount: $230,553

Grant Period: Grant funds must be expended prior to May of 2009.

Source of Funds: Federal Department of Transportation, Federal Highway Administration (FHWA)

Required Match: $29,872, or approximately 13 percent of the grant of $230,553. The matching funds of $29,872 are included in the DPW's approved FY 2001-2002 budget.

Indirect Costs: According to Ms. Theresa Burke of the DPW, reimbursement of indirect costs is not permitted under Federal Highway Administration grants.

Description: The proposed resolution would authorize the DPW to accept and expend $230,553 of Federal Highway Administration grant funds to permanently reconstruct the hillside along San Jose Avenue between Richland Avenue and Highland Avenue which was damaged by the severe El Nino winter storms in February 1998. The winter storms resulted in slope movement, which threatened public safety and property. Since February of 1998, the DPW has used its own labor to remove debris from the site and to erect a temporary screen that prevents the remaining debris from falling onto the roadway.

The proposed hillside reconstruction project, which would permanently repair the site, would cost $402,510, of which the proposed resolution represents a total of $260,425, including $230,553 of the subject grant funds and $29,872 of matching funds. The remaining $142,085 ($402,510 less $260,425) of project funding has previously been approved by the Board of Supervisors in August of 1999 ($124,088, Resolution No. 744-99) and December of 2001 ($17,997, Resolution No. 980-01).

Budget: A summary budget provided by the DPW for the total estimated project costs of $402,510, including all funding sources, which is comprised of (1) $124,088 of funds previously approved in August of 1999, (2) $17,997 of funds previously approved in December of 2001 and (3) $260,425 of funds under the proposed resolution, including $230,553 of the subject grant funds and $29,872 of matching funds, is as follows:

Construction Contract Bid Amount (See Comment No. 3)	$309,341	
10% Contingency Fund	<u>30,934</u>	
Total Construction		$340,275
DPW Labor		<u>62,235</u>
Project Total		$402,510

Attachment I, provided by the DPW, details the $340,275 construction budget. Attachment II, provided by the DPW, contains the budgetary details for the $62,235 of DPW in-house labor costs for engineering, construction management and construction engineering, resulting in total project costs of $402,510 as shown in Attachment I.

Comments:

1. Ms. Burke reports that, to date, the subject grant funds have not been accepted or expended.

2. Ms. Burke advises that the DPW conducted a competitive bidding process in August of 2001 and the low construction bid received was $309,341 from NCCI, Inc. Ms. Burke reports that the DPW will award the construction contract upon approval of the proposed resolution.

3. Attachment III, provided by the DPW, contains the Grant Application Information Form, which includes the Disability Access Checklist.

Recommendation: Approve the proposed resolution.

San Jose Avenue Hillside Repair from Highland to Richland Avenues
Lowest Responsible Responsive Bidder

BID ITEM NO.	BID ITEM	ESTIMATED QUANTITY	UNIT	UNIT PRICE	AMOUNT
Segment2	Mission Bay (4th/King to 3rd/22nd)				
1	Excavation Permit Fee and Pavement Damage Fee Assessed by BSM per Article 2.4 of the Public Works Code	---	Allowance	$300	$300
2	Project Sign	---	LS	$650	$650
3	Traffic Routing Work	---	LS	$26,000	$26,000
4	Richland Ave. Embankment Excavation, including Hauling and Stockpiling	880	CY	$51	$44,880
5	Richland Ave. Embankment Tree Services, including Removal, Preservation and Trimming	---	LS	$9,400	$9,400
6	Richland Ave. Embankment Construction, including Removal from Stockpiling, Hauling, Placing, and Compacting	850	CY	$79	$67,150
7	Seeding	700	SY	$6	$4,200
8	Maintenance of Seeded Areas	---	LS	$3,000	$3,000
9	10" PVC Collector Pipe, Installed	160	LF	$41	$6,560
10	6" PVC Perforated Pipe, Installed	200	LF	$38	$7,600
11	10" PVC 45 Degree Ells, Installed	10	EA	$61	$610
12	Drainage Trench Excavation	13	CY	$690	$8,970
13	3/4 -Inch Gravel Trench Backfill	50	CY	$92	$4,600
14	Non-Woven Geotextile Wrap, Installed	4,000	SF	$2	$8,000
15	Misc Fittings, Incl. 4" Vent Pipe, Vent Cover, and 10" Trap, Installed	1	EA	$911	$911
16	Trench Excavation, Backfill and Support for Sewer Work	---	LS	$11,000	$11,000
17	10-Inch Diameter VCP Sewer Culvert, Installed (Quantity can be increased or decreased)	45	LF	$75	$3,375
18	Standard Concrete Catchbasin with New Frame and Grating per SFDPW Standard Plan LL-18,039.1 Ch.7, Installed	1	EA	$4,500	$4,500
19	2-Inch Thick Asphalt Concrete Wearing Surface for sewer Trench (Quantity can be increased or decreased)	135	SF	$6	$810
20	8-Inch thick Concrete Base for Sewer Trench (Quantity can be increased or decreased)	135	SF	$17	$2,295
21	3 ½-Inch thick Concrete Sidewalk (Quantity can be increased or decreased)	48	SF	$18	$864
22	6-Inch Concrete Curb and 1 ½-Foot Gutter (Quantity can be increased or decreased)	9	LF	$64	$576
23	Excavation Permit Fee and Pavement Damage Fee Assessed by BSM per Article 2.4 of the Public Works Code	---	Allowance	$300	$300
24	Project Sign	---	LS	$650	$650
25	Traffic Routing Work	---	LS	$25,000	$25,000
26	Highland Avenue Excavation	200	CY	$198	$39,600
27	Drill 4" Diameter by 18" Long Weephole	4	EA	$400	$1,600
28	Highland Avenue Backfill (Rockfill)	320	TON	$67	$21,440
29	Rock Slope Protection Fabric	1,500	SF	$3	$4,500

SUBTOTAL:	$309,341
10% Contingency:	$30,934
TOTAL Construction:	$340,275
Labor:	$62,235
	$402,510
Federal Fund	$356,342
Slide Repair Matching Fund	$46,168
TOTAL PROJECT:	$402,510

PREVIOUS:	
Federal Fund	$125,965
Slide Repair Matching Fund	$16,120
	$142,085
ADDITIONAL	
Federal Fund	$230,553
Slide Repair Matching Fund	$29,872
	$260,425
TOTAL PROJECT:	$402,510

Provided by the DPW

San Jose Hillside Repair from Highland to Richland Avenues

DPW LABOR BUDGET

Engineering						
Title	Class. No.	Hrly Rate		Hrs	Totals	
Project Manager	1446	$	114	10.00	$	1,140
Civil Engineer	5208	$	99	55.00	$	5,427
Associate Civil Engineer	5206	$	85	54.00	$	4,602
TOTAL				119.00	$	11,169

Construction Management						
Title	Class. No.	Hrly Rate		Hrs	Totals	
Civil Engineer	5208	$	99	90.00	$	8,880
Associate Civil Engineer	5206	$	85	36.00	$	3,068
Construction Inspector	6318	$	80	360.00	$	28,933
Testing Lab Technician	5305	$	59	50.00	$	2,940
TOTAL				536.00	$	43,822

Construction Engineering						
Title	Class. No.	Hrly Rate		Hrs	Totals	
Project Manager	1446	$	114	12.00	$	1,368
Civil Engineer	5208	$	99	25.00	$	2,467
Associate Civil Engineer	5206	$	85	40.00	$	3,409
TOTAL				77.00	$	7,244

TOTAL LABOR BUDGET $ 62,235

Provided by the DPW

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Emergency Relief Funds (ER)

2. Department: Public Works

3. Contact Person: Theresa Burke Telephone: 558-4506

4. Grant Approval Status (check one):

X Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $ 230,554

6a. Matching Funds Required: $ 29,871
b. Source(s) of matching funds (if applicable): Department of Public Works Funds – Slide Repair Matching Fund

7a. Grant Source Agency: U.S. Department of Transportation, Federal Highway Administration (FHWA)
b. Grant Pass-Through Agency (if applicable): California Department of Transportation (Caltrans)

8. Proposed Grant Project Summary:

San Jose Ave. Hillside Reconstruction Project

Project Limits: San Jose Avenue from Richland Avenue to Highland Avenue. Scope of work includes: embankment excavation and backfill; tree removal; installation of subsurface drainage; construction of a catch basin; restoration of the concrete sidewalk; and, performing traffic routing work.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: May 1999 End-Date: May 2009

10. Number of new positions created and funded: -0-

11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services: $ 230,553

b. Will contractual services be put out to bid? Yes

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes

d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[X] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)
[ ] Rehabilitated Site(s)
[ ] New Site(s)
[ ] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[ ] New Structure(s)
[ ] Existing Program(s) or Service(s)
[ ] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer:________________________
Susan Ferreyra

Date Reviewed:________________

Department Approval: ________________________
Edwin M. Lee Director of Public Works

____
(Signature)

Item 2 - File 02-0318

Note: This report is based on an Amendment of the Whole which reduced the supplemental appropriation request from the original amount of $739,727 to $575,341.

Department: Public Health (DPH)

Item: Ordinance appropriating $575,341 from the General Fund Reserve to the Department of Public Health to fund existing programs for persons living with AIDS and HIV, in order to offset a loss of Federal funds provided to the City under the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act.

Amount: $575,341

Source of Funds: General Fund Reserve

Description: The proposed supplemental appropriation would provide $575,341 from the General Fund Reserve to the Department of Public Health (DPH) to offset a reduction in Federal Ryan White Comprehensive AIDS Resources Emergency (CARE) funding which the DPH had anticipated receiving in FY 2001-2002. Of the requested $575,341, $538,505 would be used to supplement existing contracts with 64 nonprofit organizations which assist persons living with AIDS and HIV. The balance of $36,836, $575,341 less $538,505, would be used to pay for DPH costs for administering these contracts.

According to Ms. Monique Zmuda of DPH, the services for persons living with AIDS and HIV include primary care services, rental subsidies, case management, psychological consultations, meal delivery, emergency financial assistance, transportation and advocacy. These funds would be expended for the period of March 1, 2002 through June 30, 2002.

The Attachment, provided by DPH, includes a list of the 119 nonprofit agency contracts and the amounts to be allocated to each nonprofit contractor totaling $538,505 (excluding administrative costs of $36,836).

In CARE Fiscal Year 2001-2002, or March 1, 2001 through February 28, 2002, the 119 contracts with nonprofit agencies for HIV and AIDS services listed in the Attachment, provided by DPH, expended total Federal funds of $31,039,590. In CARE Fiscal Year 2002-2003, or March 1, 2002 through February 28, 2003, these programs would have been allocated $31,517,090 if Federal CARE funding had not been reduced. However, with the Federal funding reduction, the amount of funds available for the 119 contracts is $29,901,575, a shortfall of $1,615,515. Including the $110,508 shortfall in administrative costs for DPH, the total shortfall for 12 months is $1,726,023. In order to cover the projected $1,726,023 shortfall for such contracts and for DPH administration for the last four months of the City's Fiscal Year 2001-2002, or March 1, 2002 through June 30, 2002, this proposed supplemental appropriation would appropriate $575,341 from the General Fund Reserve for the four-month period from March 1, 2002 through June 30, 2002.

Comment: Because the proposed supplemental appropriation would reduce the General Fund Reserve by $575,341 when the City is facing a projected revenue shortfall of $154.1 million for FY 2002-2003, the proposed supplemental appropriation is a policy matter for the Board of Supervisors.

Recommendation: The Budget Analyst considers approval of the proposed supplemental appropriation to be a policy decision for the Board of Supervisors, as noted in the Comment above.

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II* CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider	Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
	CARE TITLE I -CONTRACTS				(Less)			
1	San Francisco Community Clinic Consortium	Primary Care MNHC ($195,645), SMHC ($52,668)	A1	$248,313	$13,799	$234,514	$4,600	$239,114
2	San Francisco General Hospital	Medical Support for Transitional Inmates	A1	$106,852	$5,938	$100,914	$1,979	$102,893
3	San Francisco General Hospital	Ward 86 Home Infusion	A1	$40,248	$2,237	$38,011	$746	$38,757
4	San Francisco General Hospital	Ward 86 Pharmacy	A1	$85,041	$4,726	$80,315	$1,575	$81,890
5	San Francisco General Hospital	Ward 93 HIV Medical/ Psych Clinic	A1	$144,419	$8,025	$136,304	$2,675	$139,069
8	SFDPH / CHN	Primary Care Services	A1	$2,287,696	$127,128	$2,160,588	$42,376	$2,202,044
7	SFDPH / PHP	City Clinic	A1	$176,929	$9,832	$167,097	$3,277	$170,374
8	SFDPH Forensics	Early Intervention Services	A1	$297,293	$16,521	$280,772	$5,507	$286,279
9	UCSF/Pediatric AIDS Program	Primary Care	A1	$170,945	$9,499	$161,446	$3,186	$164,612
10	UCSF/Women's Specialty Clinic	Primary medical care	A1	$222,000	$12,337	$209,663	$4,112	$213,776
11	UOP/School of Dentistry	Centralized Dental Services	A2	$543,600	$30,206	$513,392	$10,069	$523,461
12	Amer College of Tradnl Chinese Med	Complementary Therapies services	A4	$276,827	$15,383	$261,444	$5,126	$266,571
13	Immune Enhancement Project	Complementary therapies	A4	$223,668	$12,429	$211,239	$4,143	$215,382
14	Quan Yin Healing Arts Center	Alternative/Complementary therapies services	A4	$127,327	$7,076	$120,251	$2,359	$122,610
15	SFDPH/CHN/Health at Home	Home Infusion	A5	$75,156	$4,176	$70,980	$1,392	$72,372
18	Westside Community Mental Health	Home care /Hospice/ Attendant care services	A5	$203,850	$11,328	$192,522	$3,776	$196,298
17	Catholic Charities	Attendant Care/ Leland House	A6	$93,399	$5,190	$66,209	$1,730	$89,939

* Title I funds are allocated directly from the Federal Government. Title II funds are allocated through the State of California.

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider	Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
18	Catholic Charities	Attendant Care/ Peter Claver Community	A6	$57,383	$3,189	$54,194	$1,063	$55,257
19	Dolores Street Community Services	Richard Cohen- Nursing Case Management and Attendant Care	A8	$184,273	$10,240	$174,033	$3,413	$177,446
20	Maitri AIDS Hospice	Nursing Case Management and Attendant Care	A6	$981,880	$54,563	$927,317	$18,188	$945,504
21	API Wellness Center	Integrated Services: Case Mgmt ($48,309), Peer Advocacy ($74,849), Tx Advcy ($12,663), Tx Advcy/ groups ($8,991), Psych Consult ($37,974), Primary CARE (MOU $71,883).	A7	$182,786	$10,157	$172,829	$3,386	$176,014
22	Continuum HIV Day Services	Tenderloin Integrated Services: Case Mgmt ($82,011), Peer Advcy ($33,035), Tx Advcy -Indv/Grps ($22,018), Primary Care ($63,315), Psych Consult ($11,150), Outreach ($14,586), Food ($34,395).	A7	$420,779	$23,383	$397,396	$7,794	$405,190
23	Haight Ashbury Free Clinics, Inc	Integrated Services-- Case Mgmt. ($72,737), Peer Advcy ($28,038), Tx Advcy ($13,412), Tx Advcy/ groups ($2,861), Psych Consult ($84,548) Primary Care ($251,817)	A7	$431,231	$23,964	$407,287	$7,988	$415,255
24	Lyon-Martin Women's Health Srvs	Integrated Service--Primary Care ($22,324), Case Mgmt ($200,613), Peer Advcy ($93,473), Tx Advcy ($25,317)	A7	$341,727	$18,990	$322,737	$6,330	$329,067
25	Saint Mary's Medical Center	Integrated Services-- Case Mgmt ($138,852), Peer Advcy ($102,033), Tx Advcy ($66,830), Psych Consult ($102,204) Primary CAre ($388,935).	A7	$603,205	$33,520	$569,685	$11,173	$580,858
26	San Francisco Community Clinic Consortium	Integrated Services- NAHC: Primary Care ($52,073), Case Mgmt ($19,139), Peer Advcy ($17,140), Tx/ Clinical Trials ($4,377).	A7	$92,729	$5,153	$87,576	$1,718	$69,294

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider		Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
27	SFDPH Forensics		Integrated Service-: Case Mgmt ($37,272), Trtmnt Advcy ($1,500)	A7	$36,772	$2,155	$36,617	$718	$37,338
28	SFDPH/ CHN- Tom Wadell		Integrated Services: Primary Care - (Continuum)	A7	$90,640	$5,048	$85,792	$1,083	$07,475
29	SFDPH/ CHN- Tom Wadell		Integrated Services: Primary Care - (APIWC)	A7	$71,663	$3,993	$87,870	$1,331	$69,201
30	SFOPH/ SFGH/ Positive Health Practice		Integrated Services- Ward 66 & BAPAC (Lyon Martin - WIDS)	A7	$94,350	$5,243	$89,107	$1,748	$90,855
31	SFDPH/ SFGH/ Positive Health Practice		Integrated Services: Ward 66-(Continuum)	A7	$90,434	$5,025	$85,409	$1,675	$87,064
32	Tenderloin AIDS Resource Center		Tenderloin Integrated Services: Case Mgmt ($136,375), Peer Advcy ($56,144), Tx Advcy -Indv/Grp ($51,572), Primary Care ($101,907), Psych Consult ($16,147), Food ($24,405).	A7	$588,960	$32,729	$550,231	$10,910	$567,141
33	SFDPH/CHN Dental Services		De-Centralized Oental Services	A6	$217,143	$0	$217,143	$0	$217,143
33	UCSF Dental Services		De-Centralized Oental Services	A8	$434,287	$0	$434,287	$0	$434,267
33	AIDS Emergency Fund		Emergency Financial Assistance	B1	$682,392	$33,809	$625,583	$12,270	$637,852
34	Project Open Hand		Delivered meals/Grocery Center	C1	$1,279,253	$71,089	$1,208,164	$23,698	$1,231,861
35	San Francisco Food Bank		Food solicitation	C1	$96,416	$5,358	$91,058	$1,788	$92,844
38	Mission Neighborhood Health Center		Nutrition Counseling	C2	$33,623	$1,868	$31,755	$823	$32,377
37	Project Open Hand		Meals for Continuum clients	C3	$69,384	$3,858	$65,528	$1,285	$66,814
38	API Wellness Center		Mental health case management	D1	$21,491	$1,194	$20,297	$398	$20,695

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider	Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
	California AIDS Intervention Training Center/ Native American AIDS Project	Outpatient Mental Health	D1	$72,780	$4,044	$86,736	$1,348	$70,084
39	Family Service Agency of SF	Mental Health Services	D1	$101,843	$10,094	$171,549	$3,365	$174,914
40	Instituto Familiar de la Raza	Psychotheraputic support	D1	$236,029	$13,116	$222,913	$4,372	$227,285
41	Iris Center	Mental Health Counseling to HIV+ Women	D1	$150,000	$8,336	$141,604	$2,779	$144,443
42	New Leaf	Outpatient mental health services	D1	$147,212	$8,161	$139,031	$2,727	$141,758
43	San Francisco General Hospital	AHP Ward 88/mental health services	D1	$112,808	$6,269	$106,539	$2,000	$108,629
44	SFDPH Community Mental Health Srvcs	Mental health case management	D1	$288,234	$10,017	$272,217	$5,339	$277,556
45	SFDPH/CHN	Multi-Dx Prog / HC #1	D1	$146,901	$8,163	$138,738	$2,721	$141,459
46	UCSF/ Dept of Psychiatry /AHP	Psychotherapy Services	D1	$112,581	$6,256	$106,325	$2,085	$108,410
47	UCSF/ Dept of Psychiatry /AHP	Neuropsychiatric services	D1	$229,999	$12,761	$217,218	$4,260	$221,478
46	UCSF/Center on Deafness	Mental Health and Support Services	D1	$31,666	$1,760	$29,906	$587	$30,403
49	San Francisco General Hospital	AHP Psychiatric Consult / Liaison	D2	$70,704	$3,929	$66,775	$1,310	$68,085
50	UCSF/ Dept of Psychiatry /AHP	Psychiatric Consultation Services	D2	$218,884	$12,152	$206,532	$4,051	$210,502
51	San Francisco Suicide Prevention	Nightline phone crisis hotline	D3	$107,784	$5,990	$101,794	$1,997	$103,791
52	UCSF/ Dept of Psychiatry /AHP	Mental health crisis srvs	D3	$328,820	$16,282	$310,358	$0,087	$310,448
53	Community Awareness and Tx Srvs	Therapy Psych Assmt & Crisis Intervention/A Women's Place	D4	$211,371	$11,746	$199,625	$3,915	$203,540
54	St Mary's Medical Center	AIDS dementia Unit	D4	$458,008	$0	$456,008	$0	$458,008
54	Community Awareness and Tx Srvs	Redwood Center	E1	$353,876	$19,865	$334,211	$0,555	$340,766

13

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider	Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
55	Haight Ashbury Free Clinics, Inc	WARH - Residential substance use Rx for African-Am men	E1	$78,372	$4,355	$74,017	$1,452	$75,469
56	Haight Ashbury Free Clinics, Inc	Lodestar - Residential substance use Rx for women	E1	$213,462	$11,662	$201,800	$3,954	$205,554
57	Walden House	90-day residential treatment	E1	$226,138	$12,567	$213,571	$4,189	$217,760
58	Walden House	Multi-diagnosis services program	E1	$677,134	$37,629	$639,505	$12,543	$652,046
59	Walden House	Residential Therapeutic Community Treatment	E1	$339,451	$18,883	$320,568	$6,268	$326,875
60	UCSF/ Dept of Psychiatry/ SAS	Methadone Maintenance (OTOP)	E2	$394,634	$21,930	$372,704	$7,310	$380,014
61	New Leaf	Outpatient substance use counseling	E3	$54,613	$3,035	$51,578	$1,012	$52,590
62	UCSF/ SFGH/ Dept of Psychiatry/ AHP	HIV-IDU Case Coordination	E3	$87,617	$4,680	$82,937	$1,627	$84,564
63	UCSF/ SFGH/ Dept of Psychiatry/ SAS	STOP: Stimulant Detoxification	E3	$95,795	$5,323	$90,472	$1,774	$92,246
64	UCSF/ SFGH/ Dept of Psychiatry/ SAS	Substance Use Consultation Service (SACS)	E3	$145,876	$8,108	$137,770	$2,702	$140,472
65	Walden House	Continuing care	E3	$52,654	$2,937	$40,917	$979	$50,696
66	Baker Places, Inc	Detoxification Services	E4	$177,000	$9,636	$167,184	$3,279	$170,443
67	Haight Ashbury Free Clinics, Inc	Smith-Ryan - Residential Rx/ residential delox/ Case Mngmnt.	E4	$282,492	$15,698	$266,794	$5,233	$272,027
68	Walden House	Residential Detox	E4	$404,351	$22,470	$381,861	$7,490	$389,371
69	San Francisco General Hospital	Ward 86 Social Services	I1	$150,006	$8,336	$141,670	$2,779	$144,449
70	SFDPH/CHN	Case Management	I1	$144,825	$8,048	$136,777	$2,683	$139,460
71	API Wellness Center	Case Mgmt ($84,222), Peer Advocacy($71,478), & Tx Advcy/groups ($46,476)	I2	$202,176	$11,235	$190,941	$3,745	$194,686

Attachment
Page 5 of 9

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

No.	Fiscal Agent/Service Provider	Exhibit/Service	SRVC. SUB CAT.	REVISED CONTRACT AMOUNTS FOR CARE FY 01-02	FY 2002-03 PROPORTIONAL CUTS	PROPOSED CARE FY02-03 CONTRACT AMOUNTS WITH CARE REDUCTIONS	INCREASE TO CONTRACT WITH GF SUPPLEMENTAL	CARE FY 2002-03 PROPOSED CONTRACT AWARDS
72	Glide Foundation	Case Management ($43,698) & Peer Advocacy ($38,044), Tx Adv ($80,364))	I2	$116,427	$8,470	$109,957	$2,157	$112,114
73	Mission Neighborhood Health Center	Case Manage ($54,242), Tx Advocacy ($33,773), Peer Advcy ($21,264- full year amt)	I2	$109,279	$8,073	$103,208	$2,024	$105,231
74	Shanti Project	Circle of Care Collaboration (CM ($110,697), PA ($138,918), TA ($94,790))	I2	$344,405	$19,139	$325,266	$8,380	$331,646
75	Continuum HIV Day Services	Adult Day Health Care ($175,740) & Substance Use Services ($78,202)	J1	$253,942	$14,112	$239,830	$4,704	$244,534
76	Family Support Srvs of the Bay Area	Respite childcare services	J2	$277,938	$15,445	$262,493	$5,148	$287,641
77	Compass Point Nonprofit Services	Technical Assistance to Providors	K1	$0	$0	$0	$0	$0
78	Shanti Project	Van Transportation	L1	$85,673	$4,781	$80,912	$1,587	$82,499
	Positive Resource Center	Planning Council Support	M2	$250,000	$0	$250,000	$0	$250,000
79	Positive Resource Center	Benefits counseling	N3	$279,288	$15,520	$283,768	$5,173	$268,941
80	AIDS Legal Referral Panel	Client advocacy	N4	$200,952	$11,167	$189,785	$3,722	$193,507
81	Bar Association of San Francisco	Legal/ Immigrant Assistance	N4	$77,868	$4,327	$73,541	$1,442	$74,983
82	Legal Services for Children	Legal/ Guardianship/ Children	N4	$177,882	$9,885	$187,997	$3,295	$171,292
83	Lutheran Social Serivces	Money Management & Representative payee services	N5	$552,785	$30,718	$522,087	$10,239	$532,306
		Subtotal Care Title I		*$22,321,099*	*$1,164,846*	$21,156,253	*$388,282*	$21,544,535
	CARE TITLE I - CBC MINORITIES INITIATIVE							

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

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1	AIDS Community Research Consortium		Client Advocacy/Treatment Adherence Services to People of Color	A9	$63,331	$0	$83,331	$0	$63,331
2	Ark of Refuge		Client Advocacy/Treatment Adherence Services to People of Color	A9	$69,345	$0	$89,345	$0	$89,345
3	Asian Pacific Islander Wellness Center		Client Advocacy/Treatment Adherence Services to People of Color	A9	$45,247	$0	$45,247	$0	$45,247
4	CAITC/Institute for Community Health Outreach/NAAP		Client Advocacy/Treatment Adherence Services to People of Color	A9	$71,000	$0	$71,000	$0	$71,000
5	Continuum HIV Day Services		Transitional Case Mgmt. Services to Latinos African-Americans in Prison	A9	$135,556	$0	$135,556	$0	$135,556
8	Urban Indian Health Board		Client Advocacy/Treatment Adherence Services to People of Color	A9	$48,300	$0	$48,300	$0	$48,300
7	TBD		Increase for FY 02-03	A9	$135,631	$0	$135,831	$0	$135,831
			Subtotal CBC		$808,810	$0	$808,610	$0	$606,610
	CARE TITLE I - HOUSING CONTRACTS								
1	Larkin Street		Attendant Care	A6	$24,908	$1,384	$23,524	$481	$23,985
2	Ark of Refuge		Restoration House/Residential Tx for women	E1	$262,460	$15,898	$268,782	$5,233	$272,015
3	Baker Places, Inc		Ferguson Place Residential Treatment	E1	$1,260,240	$70,032	$1,190,208	$23,344	$1,213,552
4	Catholic Charities		Rita da Cascia - Case Management ($35,698),Peer Advocacy ($34,967)	I2	$70,665	$3,938	$68,927	$1,313	$66,240
5	Larkin Street Youth Center		Case Management, Treatment Advocacy and Peer Advocacy	I2	$68,001	$3,779	$64,222	$1,260	$65,462

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

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6	Hold	T.B.D. (Baker Places)	B1	$156,433	$8,693	$147,740	$2,898	$150,638
7	Catholic Charities	Assisted Housing Program	B2	$560,636	$31,155	$529,481	$10,385	$539,866
8	Catholic Charities	Derek Silva Community	B2	$695,420	$38,845	$658,775	$12,882	$669,657
9	Larkin Street Youth Center	Comprehensive housing for youth	B2	$550,446	$30,589	$519,859	$10,196	$530,056
10	Lutheran Social Services	Hazel Betsey supportive housing services	B2	$115,466	$8,418	$109,070	$2,139	$111,210
11	Lutheran Social Services	Rental subsidies & Case Management/Franciscan residents	B2	$40,663	$2,271	$38,592	$757	$39,349
12	San Francisco AIDS Foundation	Standard Rental Subs	B2	$2,438,146	$135,489	$2,302,857	$45,163	$2,347,820
13	San Francisco AIDS Foundation	Emergency Vouchers	B1	$114,936	$8,387	$108,549	$2,129	$110,678
14	Walden House	Planetree supportive housing services	B2	$75,757	$4,210	$71,547	$1,403	$72,950
15	Black Coalition on AIDS	Rafiki House - Case Management	B3	$66,452	$3,804	$64,648	$1,268	$65,916
16	Black Coalition on AIDS	Rafiki/ Brandy Moore Transitional housing	B3	$305,460	$18,975	$288,485	$5,658	$294,144
		Subtotal Housing		***$6,828,533***	***$379,464***	$8,449,069	***$126,488***	$6,575,557
	CARE TITLE II							
1	Baker Places, Inc	Post Detox - Baker Places	E1	$250,000	$13,893	$236,107	$4,631	$240,736
2	Compass Point Nonprofit Services	Technical Assistance to Providers	K1	$0	$0	$0	$0	$0
3	San Francisco General Hospital	Perinatal services	A1	$66,631	$3,703	$62,928	$1,234	$64,163
4	San Francisco General Hospital	Ward 86 Out Patient Services	A1	$670,352	$37,252	$833,100	$12,417	$645,518
5	San Francisco General Hospital	Pharmacy: Non-ADAP/ Non Medi-Cal	A3	$72,177	$4,011	$88,166	$1,337	$69,503
8	San Francisco General Hospital	Gen Med Clinic/ Early Access Clinic	A1	$163,626	$9,093	$154,535	$3,031	$157,566

San Francisco Department of Public Health

AIDS OFFICE

FY 2002-2003

CARE TITLE I and II CONTRACT REDUCTIONS

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7	SFDPH/PHP/Public Health Labs		Public Health Lab	A1	$56,560	$3,254	$55,306	$1,085	$56,391
			Subtotal Care Title II		*$1,281,348*	*$71,205*	$1,210,143	*$23,735*	$1,233,676
			Reallocation to Housing				$227,500		$227,500
			Additional Quality Management				$250,000		$250,000
			Add-back of 4 months adm reduction					$36,836	$36,836
			TOTAL CONTRACTS		$31,039,590	$1,615,515	$29,901,575	$575,341	$30,476,910

Legend Categories

- A- Healthcare
- B- Housing
- C - Food
- D - Mental Health
- E- Substance Abuse
- I - Case Management
- J - Day/Respite Care
- K - Program Support
- L- Transportation
- M-Planning Council
- N-Client Advocacy

Summary

$31,039,590	Adjusted contracts for 01-02
$350,648	Level 1,II, IV cuts
$31,390,238	Service Allocations to contractors

Items 3 and 4 – Files 02-0369 and 02-0370

Departments: Department of Human Resources (DHR)
Fire Department
Police Department

Items:

02-0369
Ordinance adopting and implementing the Memorandum of Understanding between the Municipal Executives' Association (MEA) – Fire, Bargaining Unit F3, and the City and County of San Francisco, to be effective for the two-year period retroactively from July 1, 2001 through June 30, 2003.

02-0370
Ordinance adopting and implementing the Memorandum of Understanding between the MEA – Police, Safety Bargaining Units P-3-0, P-3-2 and P-3-1, and the City and County of San Francisco, to be effective for the two-year period retroactively from July 1, 2001 through June 30, 2003.

Description:

02-0369 (*MEA – Fire*)
In September of 2000, the Board of Supervisors approved a Memorandum of Understanding (MOU) with the MEA – Fire, Bargaining Unit F3, for the two-year period retroactive from July 1, 1999 through June 30, 2001 (File 00-1356). The proposed MOU between the City and the MEA – Fire, Bargaining Unit F3, which is the successor agreement to the MOU that expired on June 30, 2001, would be for the two year period, retroactive from July 1, 2001 through June 30, 2003. The proposed MOU would cover the following uniform exempt management classifications of the Fire Department, comprising a total of 12 budgeted positions:

Position	Number of Employees
0140 Chief of Fire Department	1
0150 Deputy Chief of Department	2
H-51 Assistant Deputy Chief II	8
H-53 Emergency Medical Services Chief	1
Total	12

<u>02-0370 *(MEA – Police)*</u>

In January of 1998, the Board of Supervisors approved a MOU with the MEA – Police, Safety Bargaining Unit P-3, consisting of the Chief of Police and the Assistant Chief of Police classifications, for the nine-year period retroactive from July 1, 1992 through June 30, 2001 (File 93-97-3). According to Ms. Alice Villagomez of DHR, the classification Q90 Director of Police Psychology, which is in the P-3-2 Unit, is a new rank created and assigned to the MEA – Police MOU during the term of the previous MOU. Ms. Villagomez advises that the classification Q63 Criminologist, which is in the P-3-1 Unit, was an existing rank that previously was unrepresented and assigned to the MEA – Police during the term of the prior MOU. The proposed MOU between the City and the MEA – Police, Safety Bargaining Units P-3-0, P-3-2 and P-3-1, which is the successor agreement to the MOU that expired on June 30, 2001, would be for the two year period retroactive from July 1, 2001 through June 30, 2003. The proposed MOU would cover the following uniform exempt management classifications at the Police Department, comprising a total of four budgeted positions:

Position	Number of Employees
0390 Chief of Police Department	1
0395 Assistant Chief of Department	1
Q 90 Director of Police Psychology	1
Q 63 Criminologist	1
Total	4

Major Economic Impact Changes And Other Pertinent Provisions:

The major economic changes of the two proposed new subject MOUs are as follows:

- <u>Salary Increases</u>
  MEA – Fire
  The proposed MOU between the City and the MEA – Fire, Bargaining Unit F3, establishes the following schedule of salary increases totaling 16 percent:

➢ Retroactive to July 1, 2001, a salary increase of	4.0%
➢ Retroactive to January 5, 2002, a salary increase of	4.0%
➢ July 1, 2002, a salary increase of	4.0%
➢ January 4, 2003, a salary increase of	4.0%
Total Salary Increases	16.0%

As shown in Attachment I provided by the Controller's Office, the Controller's Office estimates these wage increases will result in increased salary costs of $92,832 in Fiscal Year 2001-2002 and $133,877 in Fiscal Year 2002-2003.

MEA – Police

The proposed MOU between the City and the MEA – Police, Safety Bargaining Units P-3-0, P-3-2 and P-3-1, establishes the following schedule of salary increases totaling 16 percent:

➢ Retroactive to July 1, 2001, a salary increase of	4.0%
➢ Retroactive to January 5, 2002, a salary increase of	4.0%
➢ July 1, 2002, a salary increase of	4.0%
➢ January 4, 2003, a salary increase of	4.0%
Total Salary Increases	16.0%

As shown in Attachment II provided by the Controller's Office, the Controller's Office estimates these wage increases will result in increased salary costs of $33,118 in Fiscal Year 2001-2002 and $47,760 in Fiscal Year 2002-2003.

According to Ms. Villagomez, the wage increases provided in the two subject MOUs are consistent with the wage increases provided to other City employees for Fiscal Year 2001-2002 and Fiscal Year 2002-2003, including the wage increases provided to employees covered by the San Francisco Fire Fighters Union, Local 798, Units 1 and 2, MOUs, which were ratified by the Board of Supervisors in November of 2001 (Files 01-1843 and 01-1868), and the Police Officers Association MOU, which was ratified by the Board of Supervisors in August of 2001 (File 01-1320).

Ms. Villagomez states that the four percent wage increase effective July 1, 2001 and the four percent wage increase effective January 5, 2002, would be retroactive and would be paid as a lump sum payment following the date in which the Board of Supervisors ratifies the two subject MOUs. According to Ms. Villagomez, the subject MOUs are retroactive to July 1, 2001, pursuant to San Francisco Charter Section 8.590-4, which provides for the effective date of the subject MOUs.[1]

- Other Premium Pay

MEA – Fire

Under the proposed MOU, covered employees with 27 years or more of continuous service with the Fire Department would receive an additional two percent of base pay as a service premium, commencing July 1, 2002. This provision is not contained in the previous MOU. The Controller's Office estimates that the proposed two percent service premium would result in additional costs to the City of $16,880 in Fiscal Year 2002-2003.

MEA – Police

Under the proposed MOU, covered employees with 25 years or more of continuous service with the Police Department would receive an additional two percent of base pay as a service premium, commencing July 1, 2002. This provision is not contained in the previous MOU. The Controller's Office estimates that the proposed two percent service premium would result in additional costs to the City of $10,084 in Fiscal Year 2002-2003.

The proposed two percent service premium will be considered part of an employee's salary for the purpose of computing retirement benefits and contributions. Also, a covered employee who is eligible for the two percent service premium would continue to receive the premium while receiving disability benefits, under the proposed

[1] According to Ms. Villagomez, under Charter Section 8.590-4, DHR is required to complete negotiations with employee organizations other than Fire and Police uniformed ranks prior to the expiration date of the respective MOUs. Ms. Villagomez states that, because the Charter does not specifically require DHR to complete negotiations with the MEA – Fire and the MEA – Police by the expiration date of the MOUs, DHR completed negotiations with 38 other employee organizations prior to completing negotiations with the MEA – Fire and the MEA – Police.

MOU. The proposed two percent premiums in the two subject MOUs are consistent with the two percent premiums provided to employees covered by the Fire Fighters Union, Local 798, Units 1 and 2, MOUs and the Police Officers Association MOU.

The Budget Analyst notes that it is unclear whether the proposed additional two percent service premium is intended as (1) a one-time only premium benefit, effective for just the second year of the proposed MOUs, or (2) an ongoing premium benefit, which will result in future year additional costs to the City. According to Ms. Villagomez, the proposed MOUs do not specify if the proposed additional two percent service premium is a one-time only premium benefit or an ongoing premium benefit because this will be determined when this provision is evaluated at the end of Fiscal Year 2002-2003.

- Acting Assignment Pay

  MEA – Fire

  Effective July 1, 2001, all four classifications covering 12 employees will receive 7½ percent additional compensation above the member's base rate of pay if the covered employee performs the duties of a higher rank for longer than 10 consecutive working days. Currently, covered employees receive the compensation of a higher rank once a covered employee has performed the duties of a higher rank for longer than 30 consecutive working days. The additional pay will be retroactive to the first day of the assignment. As noted in Attachment I, the Controller's Office does not have an estimated cost for this provision as of the writing of this report.

  MEA – Police

  There is no change between the previous and the new MOU for the MEA – Police for the Acting Assignment Pay provision. Once a covered employee has performed the duties of a higher rank for longer than 30 consecutive working days, the covered employee receives the salary of that rank. This pay is not retroactive to the first day of the assignment. According to Ms. Villagomez, the difference between the MEA – Fire and the MEA – Police MOUs regarding the Acting Assignment Pay provision is

due to variations in the negotiated contracts between the bargaining units.

- <u>Administrative Assignment Pay</u>

  MEA – Fire

  Employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief, who are assigned by the Chief of the Fire Department to a 40-hour work week, will receive additional compensation of $243 biweekly, or approximately $529 per month for Administrative Assignment Pay in recognition that such covered employees are not eligible for overtime compensation. Currently, the H-51 and H-53 classifications receive additional compensation of $225 biweekly, or approximately $489 per month for Administrative Assignment Pay. Therefore, the proposed MOU will provide an 8 percent increase for Administrative Assignment Pay.

  This additional compensation would not be included in the calculation of retirement benefits from the Employees Retirement System or any other benefits that are a function of percentage of salary.

  The Controller's Office does not have an estimated cost for this provision as of the writing of this report.

  MEA – Police

  The previous and proposed MOU for the MEA – Police does not have a provision for Administrative Assignment Pay. However, covered employees under this MOU do receive overtime pay, and there is no change from the previous MOU. According to Ms. Villagomez, the difference between the MEA – Fire and the MEA – Police MOUs regarding the Administrative Assignment Pay provision is due to variations in the negotiated contracts between the bargaining units.

- <u>Executive Leave</u>

  MEA – Fire

  There is no change between the previous and the new MOU for MEA – Fire for the Executive Leave provision.

Employees covered by the subject MOU in classifications 0140 Chief of Fire Department and 0150 Deputy Chief of Fire Department would continue to receive five days of paid Executive Leave per fiscal year. Up to five days of unused Executive Leave may be carried over into the next fiscal year. Employees in classifications H-51 Assistant Deputy Chief II and H-53 Emergency Medical Services Chief will continue to receive two days of paid leave per fiscal year. Up to two days of unused Executive Leave may be carried over into the next fiscal year.

For all employees covered by the subject MOU, Executive Leave may only be taken as paid time off and cannot be cashed out at the end of the year or at retirement.

MEA – Police
The proposed MOU contains language to specify that only employees in the P-3-0 Unit, which includes classifications 0390 Chief of Police and 0395 Assistant Chief of Police, would continue to receive five days of paid Executive Leave per year, the same Executive Leave provision for these classifications as contained in the previous MOU. As previously noted, the previous MOU did not cover the classifications Q90 Director of Police Psychology in the P-3-2 Unit or the Q63 Criminologist in the P-3-1 Unit. Executive Leave days may not be carried over into the next fiscal year.

For all employees in the P-3-0 Unit covered by the subject MOU, Executive Leave may only be taken as paid time off and cannot be cashed out at the end of the year or at retirement.

- <u>Administrative Leave</u>
  MEA – Fire, Airport Only
  Effective July 1, 2002, covered employees in the H-51 Assistant Deputy Chief II classification assigned to fire suppression at the Airport may earn, at straight time, and carry a balance of up to 120 hours of paid Administrative Leave. Such covered employees may carryforward a balance of up to 100 hours of earned but unused paid Administrative Leave into the next fiscal year. Earned

Administrative Leave hours must be related to a Federal Aviation Administration (FAA) alert.

For such employees in the H-51 Assistant Deputy Chief II classification at the Airport, Administrative Leave may only be taken as paid time off and cannot be cashed out at the end of the fiscal year or at retirement. Ms. Villagomez reports that the Fire Department currently has one employee in the H-51 Assistant Deputy Chief II classification at the Airport.

The previous MOU does not contain a provision for such Administrative Leave.

MEA – Police
Effective July 1, 2002, covered employees in the P-3-1 Unit, consisting of the Q63 Criminologist classification, may earn, at straight time, and carry a balance of up to 120 hours of paid Administrative Leave. The single covered employee in this classification may carryforward a balance of up to 100 hours of earned but unused paid Administrative Leave into the next fiscal year.

For all employees in the P-3-1 Unit covered by the subject MOU, Administrative Leave may only be taken as paid time off and cannot be cashed out at the end of the fiscal year or at retirement.

The previous MOU does not contain a provision for such Administrative Leave.

As stated by Ms. Pamela Levin of the Controller's Office in Attachments I and II, "This provision may result in overtime costs for those employees who are backfilled and in lost productivity for non-backfilled employees; however, we have not estimated a cost for this provision at this time."

- <u>Training and Education Achievement Pay</u>
  MEA – Fire
  Under the previous MOU, covered classes received two increases of three percent of their base wage each on July 1, 1999 and July 1, 2000 for Training and Education

Achievement Pay, or a total increase of six percent. Under the proposed new MOU, covered employees would again receive an increase of six percent of their base wage effective July 1, 2001 for Training and Education Achievement Pay. The additional Training and Education Achievement Pay will be considered part of an employee's salary for the purpose of computing retirement benefits and contributions.

MEA - Police
Under the previous and proposed MOU, there is no change in Training and Education Achievement Pay and covered employees are eligible to continue to participate in the management development training programs provided for under the MEA Miscellaneous MOU for July 1, 2001 through June 30, 2003. Under the MEA Miscellaneous MOU, a premium of four percent of base wage is paid to covered employees with an intermediate Peace Officer Standards and Training (POST) certificate. A premium of six percent of base wage is paid to covered employees with an advanced POST certificate.

- Wellness Program
  Ms. Villagomez reports that the Wellness Program included in the previous MOUs and which would remain in effect during Fiscal Year 2001-2002 is intended to reduce the rate of sick leave use and therefore, decrease overtime expenditures to backfill positions to cover for firefighters and police officers who are on sick leave.

MEA – Fire
Under the previous MOU and for only the first year of the proposed MOU, or Fiscal Year 2001-2002, covered employees who have accrued at least 600 sick leave hours are eligible to participate in the Wellness Program. Once a core amount of 600 hours of sick leave has been accrued for each covered employee, suppression employees can cash out 60 hours and non-suppression employees can cash out 50 hours of sick leave hours under the following conditions:

Suppression Members (those working 24-hour shifts): If the average annual sick leave for all Suppression Members in Bargaining Unit F3 is not more than three 12-hour watches (36 hours) in Fiscal Year 2001-2002, and if an individual uses 36 hours or less of sick leave in Fiscal Year 2001-2002, then he or she will be entitled to cash out a total of 60 hours of accrued sick leave during that same fiscal year.

Non-Suppression Members (those working a 40-hour work week): If the average annual sick leave for all Non-Suppression Members in Bargaining Unit F3 is not more than 24 hours in Fiscal Year 2001-2002, and if an individual uses 24 hours or less of sick leave in Fiscal Year 2001-2002, then he or she will be entitled to cash out a total of 50 hours of accrued sick leave during that same fiscal year.

Such payments by the City to the covered employee are not considered as part of an employee's salary for the purpose of computing retirement benefits.

Effective July 1, 2002, the Wellness Program would be eliminated and replaced by the Pilot Wellness Incentive Program, which is consistent with other existing MOUs between the City and employee organizations. According to Ms. Villagomez, this Pilot Wellness Incentive Program would be a one-year pilot, effective July 1, 2002. Ms. Villagomez states that DHR will evaluate the effectiveness of the Pilot Wellness Incentive Program at the end of one year and continuation of the Wellness Incentive Program will be subject to re-negotiation during the last year of the term of the MOU.

Under the proposed MOU, covered employees would no longer be able to cash out sick leave while in active status beginning July 1, 2002. Rather, covered employees would be able to receive a cash payment upon retirement for unused sick leave, based upon the employee's salary rate and years of service. Under the program, an eligible employee would be able to cash out unused sick leave hours upon retirement, equal to 2.5 percent times the number of whole years of continuous service, times the of accrued sick leave credits (up to a maximum of 1,040

hours for employees scheduled to work 40 hours per week and up to a maximum of 1,272 hours for employees scheduled to work 24 hour shifts), times an employee's base salary, exclusive of premiums or supplements, at the time of retirement. For example, an employee who retired with 20 years of service would receive a 2.5 percent credit per year of service times 20 years of service, equal to 50 percent. Therefore, if the employee had an accrued sick leave balance of 500 hours upon retirement, then the employee would be paid for 50 percent of the accrued sick leave balance, equal to 250 hours. Such payments would still not be considered for the purpose of calculating retirement benefits.

According to Ms. Levin, the existing Fire Department's Wellness Program cost the City $19,095 in Fiscal Year 2000-2001 for the covered employees. As shown in Attachment I, the Controller's Office estimates that the Pilot Wellness Incentive Program, effective July 1, 2002, would result in additional costs to the City of $34,065 in Fiscal Year 2002-2003. Also, as noted in Attachment I, only one of the six employees eligible for retirement, out of the 12 covered employees, plans to retire in Fiscal Year 2002-2003.

MEA – Police
Under the previous MOU and for the first year of the proposed MOU, or Fiscal Year 2001-2002, the Wellness Program entitles covered Police Department employees who accrue sick leave of at least 300 hours, and use 30 hours or less of sick leave in a given year, to cash out 50 hours of sick leave accrued during that fiscal year. Such payments by the City to the covered employee are not considered as part of an employee's salary for the purpose of computing retirement benefits.

Effective July 1, 2002, the existing Wellness Program will cease and a Pilot Wellness Incentive Program similar to the Pilot Wellness Incentive Program for the MEA – Fire mentioned above will begin. Under the program, an eligible employee would be able to cash out unused sick leave hours upon retirement, equal to 2.5 percent times the number of whole years of continuous service, times the of accrued sick leave credits (up to a maximum of

1,040 hours), times an employee's base salary, exclusive of premiums or supplements, at the time of retirement. Such payments would still not be considered for the purpose of calculating retirement benefits.

According to Ms. Levin, the existing Police Department's Wellness Program cost the City $13,217 in Fiscal Year 2000-2001 for the employees covered under this MOU. As shown in Attachment II, the Controller's Office estimates that the proposed new Wellness Incentive Program would save the City $13,217 in Fiscal Year 2002-2003 because none of the three eligible retirees has planned for retirement in Fiscal Year 2002-2003.

- Health Insurance

MEA – Fire

In the proposed MOU, the amount of dependent health care coverage paid by the City would remain the same as in the previous MOU at the greater of $225 per month or 75 percent of the Kaiser Health Plan rate for two or more dependents. In Fiscal Year 2001-2002, 75 percent of the Kaiser Health Plan rate for two or more dependents would equal $279 per month.

MEA – Police

In the proposed MOU, the amount of dependent health care coverage paid by the City would increase. Currently, the City pays $225 per month for dependent health care coverage. Under the proposed MOU, the City's contribution would be the greater of $225 per month or 75 percent of the cost of the Kaiser Health Plan rate for two or more dependents. This would then provide the same provision as contained in the MEA – Fire MOU. As noted above, in Fiscal Year 2001-2002, 75 percent of the Kaiser Health Plan rate for two or more dependents would equal $279 per month, which is an increase of $54 to the $225 that the City previously paid for dependent health care coverage.

As shown in Attachment II, the Controller's Office estimates that the increased dependent health care coverage for the MEA – Police would result in an

additional cost to the City of $2,592 in Fiscal Year 2001-2002.

Provisions for Health Insurance under the proposed MOUs are consistent with other MOUs approved for City employees by the Board of Supervisors, according to Ms. Villagomez.

Estimated Costs: As shown in Attachments I and II provided by the Controller, the Controller estimates that the cumulative cost of implementing the proposed MOU between the City and the MEA – Fire, Bargaining Unit F3, is $401,460. The Controller's Office estimates that the cumulative cost of implementing the proposed MOU between the City and the MEA – Police, Safety Bargaining Units P-3-0, P-3-2 and P-3-1, is $127,071.

Therefore, the Controller estimates total cumulative costs of $528,531 for the two year period from July 1, 2001 through June 30, 2003 for both of the proposed Fire and Police MOUs.

The additional cost in Fiscal Year 2001-2002 of the two proposed MOUs of $139,941 ($101,234 from implementation of the MEA – Fire MOU and $38,707 from implementation of the MEA – Police MOU) will be funded from the Salary and Benefits Reserve previously approved by the Board of Supervisors in the Fiscal Year 2001-2002 budget. The Controller's Office advises that the additional cost in Fiscal Year 2002-2003 of the two proposed MOUs of $248,651 ($198,993 from implementation of the MEA – Fire and $49,658 from implementation of the MEA – Police) would be included in the City's Fiscal Year 2002-2003 budget, subject to approval of the Board of Supervisors.

In addition, the Controller notes that if the City chooses to designate the birthday of Cesar Chavez as a paid holiday during the upcoming fiscal year, there would be additional overtime and lost productivity costs for these bargaining units, consistent with other MOUs approved by the City. The Controller's Office does not have an estimated cost for this potential additional paid holiday as of the writing of this report.

Comments:

1. As previously noted, covered employees will be paid retroactively for all pay increases under the subject MOUs once the MOUs have been approved by the Board of Supervisors and the Mayor.

2. As stated previously, the subject MOUs would be retroactive to July 1, 2001 and expire on June 30, 2003. Ms. Villagomez reports that the proposed MOUs would extend for two years to coincide with the expiration of the MOUs covering other uniform ranks at the Fire Department and Police Department, as well as the Sheriff's Department, all of which extend through June 30, 2003.

3. The two subject MOUs specify that the City is obligated to provide reasonable accommodations for persons with disabilities in order to comply with the provisions of the Americans with Disability Act, the Fair Employment and Housing Act and all other applicable Federal, State and local disability anti-discrimination statutes. Ms. Villagomez advises that this provision, which codifies existing practices with both the Fire and Police Departments, is not a new practice within the Departments and, therefore, does not result in any increased cost to the City.

Recommendation:

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Edward Harrington
Controller

REVISED

March 13, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020369
Amendment to the Memorandum of Understanding (MOU) with the Municipal Executives Association - Fire

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the MOU between the City and County of San Francisco and the Municipal Executives Association - Fire. The amendment covers the period of July 1, 2001 through June 30, 2003, and affects 12 budgeted positions with an overall pay and benefits base of approximately $1.69 million and a salary base of approximately $1.55 million.

Based on our analysis, the amendment will result in incremental costs of approximately $101,234 in FY 2001-2002, and $198,993 in FY 2002-2003. The amendment will result in cost increases of approximately 6.0% above the overall pay and benefits base (approximately 6.5% above base salaries) in FY 2001-2002 and approximately 11.8% above the overall pay and benefits base (approximately 11.9% above base salaries) in FY 2002-2003. Please see Attachment A for specific cost estimates.

In addition to the wage and benefit provisions in Attachment A, the MOU provides up to 100 hours of non-cash administrative leave for Airport staff only. This provision may result in overtime costs for those employees who are backfilled and in lost productivity for non-backfilled employees; however, we have not estimated a cost for this provision at this time. Also, there is a 7.5% premium for acting assignment pay; we do not have an estimate cost at this time. In addition, if the City chooses to make Cesar Chavez day a paid holiday during the upcoming fiscal year, there may be additional overtime and lost productivity costs for this bargaining unit.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela J. Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A
Municipal Executives' Association - Fire
Estimated Costs FY 2001-2002 to FY 2002-2003
Controller's Office

Annual Costs/(Savings)	FY 2001-2002	FY 2002-2003
Wage Increase		
4% on July 1, 2001, 4% on January 5, 2002	$92,832	
4% on July 1, 2002, 4% on January 4, 2003		$133,877
Additional Premiums and Benefits		
2% Petention Pay Effective July 1, 2002		16,880
Pilot Wellness Program **		
2.5% of Accrued Sick Leave Effective July 1, 2002		34,065
Wage-Related Fringe Increases	8,401	14,171
Total Estimated Incremental Costs	$101,234	$198,993
Annual Amount Above 2000-2001 Level	$101,234	$300,227
Cumulative Total Above 2000-2001 Provisions		$401,460
Incremental Cost % of 2000-2001 Total Pay & Benefits	6.0%	11.8%
Incremental Cost % of Base Salary	6.5%	11.9%

** According to Fire Commission on March 7, 2002, only 1 out of the 6 eligible retirees has planned for retirement. Total wellness incremental cost for all 6 eligibles is $317,006. The pilot wellness program replaces the previous program in which the payout for FY 2000-2001 was $19,095.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Edward Harrington
Controller

REVISED

March 13, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020370
Amendment to the Memorandum of Understanding (MOU) with the Municipal Executives Association - Police

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the MOU between the City and County of San Francisco and the Municipal Executives Association - Police. The amendment covers the period of July 1, 2001 through June 30, 2003, and affects 4 budgeted positions with an overall pay and benefits base of approximately $602,000 and a salary base of approximately $552,000.

Based on our analysis, the amendment will result in incremental costs of approximately $38,707 in FY 2001-2002, and $49,658 in FY 2002-2003. The amendment will result in cost increases of approximately 6.4% above the overall pay and benefits base (approximately 7.0% above base salaries) in FY 2001-2002 and approximately 8.2% above the overall pay and benefits base (approximately 8.3% above base salaries) in FY 2002-2003. Please see Attachment A for specific cost estimates.

In addition to the wage and benefit provisions in Attachment A, the MOU provides up to 100 hours of non-cash administrative leave. This provision may result in overtime costs for those employees who are backfilled and in lost productivity for non-backfilled employees; however, we have not estimated a cost for this provision at this time. In addition, if the City chooses to make Cesar Chavez day a paid holiday during the upcoming fiscal year, there may be additional overtime and lost productivity costs for this bargaining unit.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela J. Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

415-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694 FAX 415-554-7[illegible]

Attachment A
Municipal Executives' Association - Police
Estimated Costs FY 2001-2002 to FY 2002-2003
Controller's Office

Annual Costs/(Savings)	FY 2001-2002	FY 2002-2003
Wage Increase		
4% on July 1, 2001, 4% on January 5, 2002	$33,118	
4% on July 1, 2002, 4% on January 4, 2003		$47,760
Additional Premiums and Benefits		
2% Petention Pay Effective July 1, 2002		10,084
Pilot Wellness Program **		
2.5% of Accrued Sick Leave Effective July 1, 2002		(13,217)
Health		
Increased Dependent Coverage to 75% of Kaiser Index	2,592	
Wage-Related Fringe Increases	2,997	5,030
Total Estimated Incremental Costs	$38,707	$49,658
Annual Amount Above 2000-2001 Level	$38,707	$88,364
Cumulative Total Above 2000-2001 Provisions		$127,071
Incremental Cost % of 2000-2001 Total Pay & Benefits	6.4%	8.2%
Incremental Cost % of Base Salary	7.0%	8.3%

** According to Police Commission, none of the 3 eligible retirees has planned for retirement in FY 2002-2003. Total wellness incremental cost for all 3 eligibles is $210,63. However the pilot wellness program replaces the previous program in which the payout for FY 2000-2001 was $13,217.

Items 5 and 6 – Files 02-0252 and 02-0368

Department: Mayor's Office of Public Finance

Item: Item 5 - File 02-0252: Resolution (a) approving the form of, and authorizing the execution and delivery by the City and County of San Francisco of Equipment Lease Supplement No. 9, between the City and County of San Francisco Finance Corporation, a nonprofit corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to equipment to be used for City purposes, and providing for the related Certificate of Approval and a continuing Disclosure Certificate; (b) approving the issuance of Series 2002A Lease Revenue Bonds by said nonprofit corporation in an amount not to exceed $9,000,000; (c) providing for reimbursement from the Lease Revenue Bonds to the City of certain expenditures advanced by the City's General Fund and incurred prior to the issuance of Series 2002A Lease Revenue Bonds; (d) providing for the execution of documents in connection therewith; and (e) ratifying actions previously taken.

Item 6 - File 02-0368: Ordinance appropriating $8,420,000 from the sale of lease-revenue bonds by the San Francisco Finance Corporation to fund the purchase of equipment for the City.

Amount: Not to exceed $9,000,000

Source of Funds: Lease Revenue Bond Proceeds

Description: In June of 1990, San Francisco voters approved Proposition C, a Charter Amendment which authorized the Board of Supervisors to approve, without further voter approval, lease-financing of equipment purchases for the City through a nonprofit public benefit corporation, the San Francisco Finance Corporation. The equipment leased by the City is purchased by the San Francisco Finance Corporation with the proceeds of lease revenue bonds.

According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, the City has issued lease revenue bonds for the procurement of equipment on an annual basis since FY 1990-91, with the exception of FY 1996-97 and

FY 2000-2001. The Mayor's Office is now requesting authorization to issue up to $9,000,000 in City and County of San Francisco Corporation Lease Revenue Bonds, Series 2002A ("Series 2002A Lease Revenue Bonds"), for the acquisition and installation of equipment previously approved by the Board of Supervisors in the FY 2001-2002 budget in the amount of $7,203,985. The FY 2001-2002 budget, as finally adopted by the Board of Supervisors, included a total of $16,561,252 in cash equipment purchases.

Subsequently, in November of 2001, the Mayor's Director of Finance, Mr. Ben Rosenfield, advised the Finance Committee that the Mayor's Office, subject to Board of Supervisors approval, would lease finance some of the equipment previously approved by the Board of Supervisors in the FY 2001-2002 budget in order to reduce the City's cash outlay and spread out the City's equipment expenditures to partially alleviate the $60,000,000 to $100,000,000 revenue shortfall projected for FY 2001-2002.

Using the Series 2002A Lease Revenue Bonds would spread out the cost of the equipment over the life of the bonds, or five years, instead of purchasing the equipment outright in FY 2001-2002 and would result in a savings in the FY 2001-2002 General Fund Budget of $7,203,985.

Interest rates on lease revenue bonds issued by nonprofit corporations are generally lower than the interest on other financing instruments, because of the tax-exempt status of investments in non-profit corporations. Charter Section 9.108 requires that the San Francisco Finance Corporation not issue lease revenue bonds for equipment purchase unless the Controller certifies that the interest costs to the City would be lower through the San Francisco Finance Corporation than through the other financing instruments such as third party vendors. Under the proposed resolution, the Controller is required to certify that the interest rates are lower through the San Francisco Finance Corporation prior to the sale of the proposed Series 2002A Lease Revenue Bonds. According to Ms. Pamela Levin of the Controller's Office, the Controller has certified that the interest rates to the City

would be lower through the San Francisco Financing Corporation than through other financing instruments (see Comment No. 5).

In accordance with Charter Section 9.108, the total outstanding indebtedness of the San Francisco Finance Corporation may not exceed a principal amount of $20 million at any given time beginning in FY 1990-1991, with the limit increasing by five percent in each subsequent fiscal year. The maximum amount of allowable indebtedness in FY 2001-2002 for the lease financing of equipment is $34,206,787 according to Ms. Sesay.

The Board of Supervisors has previously authorized the issuance by the San Francisco Finance Corporation of up to $83,369,707 in lease revenue bonds, of which $75,630,000 was actually issued, to finance the purchase of equipment, as follows:

Fiscal Year	Authorized Lease Revenue Bonds
1990-91	$ 7,304,707
1991-92	Up to 10,000,000
1992-93	Up to 10,200,000
1993-94	Up to 7,000,000
1994-95	Up to 6,500,000
1995-96	Up to 7,065,000
1996-97	0
1997-98	Up to 14,000,000
1998-99	Up to 11,500,000
1999-00	Up to 9,800,000
2000-01	0
TOTAL	**Up to $83,369,707**

As noted above, the San Francisco Finance Corporation has been authorized to issue up to $83,369,707 since FY 1990-1991 in lease revenue bonds to procure equipment on behalf of the City. According to the Mayor's Office of Public Finance, the actual amount of lease revenue bonds issued by the San Francisco Finance Corporation, the amounts which have been repaid, and the outstanding indebtedness as of April 1, 2002 will be as follows:

Series 1991A Bonds	
Lease Purchase Revenue Bonds Issued	$7,020,000*

Repayment to Date	7,020,000	
Outstanding Indebtedness: Series 1991A:		$ 0
Series 1992A Bonds		
Lease Purchase Revenue Bonds Issued	$5,555,000*	
Repayment to Date	5,555,000	
Outstanding Indebtedness: Series 1992A:		0
Series 1993A Bonds		
Lease Purchase Revenue Bonds Issued	$10,200,000*	
Repayment to Date	10,200,000	
Outstanding Indebtedness: Series 1993A:		$0
Series 1994A Bonds		
Lease Purchase Revenue Bonds Issued	$6,850,000*	
Repayment to Date	6,850,000	
Outstanding Indebtedness: Series 1994A:		0
Series 1995A Bonds		
Lease Purchase Revenue Bonds Issued	$6,075,000*	
Repayment to Date	6,075,000	
Outstanding Indebtedness: Series 1995A:		0
Series 1996A Bonds		
Lease Purchase Revenue Bonds Issued	$7,065,000*	
Repayment to Date	7,065,000	
Outstanding Indebtedness: Series 1996A:		0
Series 1997A Bonds		
Lease Purchase Revenue Bonds Issued	$13,715,000*	
Repayment to date	9,690,000	
Outstanding Indebtedness: Series 1997A:		4,025,000
Series 1998A Bonds		
Lease Purchase Revenue Bonds Issued	$10,835,000*	
Repayment to Date	8,595,000	
Outstanding Indebtedness: Series 1998A:		2,240,000
Series 1999A Bonds		
Lease Purchase Revenue Bonds Issued	$8,315,000*	
Repayment to Date	3,610,000	
Outstanding Indebtedness: Series 1999A:		4,705,000
Projected Total Outstanding Indebtedness on April 1, 2002		$10,970,000
Total Maximum Allowable Indebtedness for FY 2001-2002		$34,206,787
Total Allowable Indebtedness Which Will Still Be Available as of April 1, 2002		$23,236,787

* Total amount issued is $75,630,000

As noted in the table above, as of April 1, 2002, the projected amount of outstanding indebtedness is

$10,970,000, resulting in an available balance of $23,236,787 in debt capacity for equipment lease financing in FY 2001-2002.

Item 5 -File 02-0252:

The proposed resolution would authorize the issuance of new Series 2002A Lease Revenue Bonds in FY 2001-2002 in an amount not to exceed $9,000,000, which is within the unused debt capacity for equipment lease financing under Charter Section 9.108 of $23,236,787 for FY 2001-2002. Ms. Sesay estimates that the Series 2002A Lease Revenue Bonds will be sold on a competitive basis on or about April 24, 2002, subsequent to Board of Supervisors approval of this proposed resolution.

Ms. Sesay reports that, subsequent to authorization of the proposed resolution, the San Francisco Finance Corporation will sell bonds to prospective investors and will purchase the equipment on behalf of the City using the proceeds from the lease revenue bond funds. City departments will then use their budgeted FY 2002-2003 equipment lease funds to make the required annual lease payments to the San Francisco Finance Corporation, which in turn will use such funds to repay the principal and interest on the lease revenue bonds.

According to Ms. Sesay, the bond trustee for the San Francisco Finance Corporation will act as a bank for equipment purchases. Ms. Sesay explains that various City departments will budget the annual lease payment within their FY 2002-2003 departmental budgets, which are subject to approval of the Board of Supervisors. Ms. Sesay reports that the total amount of the annual lease payments for the proposed Series 2002A Lease Revenue Bonds in FY 2002-2003 is approximately $994,238. A total of $9,078,104, including principal of $8,420,000 and interest of $658,104, would be repaid over the five year term of the lease revenue financing for the equipment listed by each applicable City Department in Attachment I, provided by Ms. Sesay. As stated above, such equipment was previously approved by the Board of Supervisors in the FY 2001-2002 budget. The $8,420,000 in lease revenue bonds will be fully redeemed by October of 2007, according to Ms. Sesay.

This proposed resolution also provides for (a) the payment of bond issuance costs related to the proposed issuance of the Series 2002A Lease Revenue Bonds which are incurred prior to the actual date of issuance, (b) the execution of documents needed to implement the proposed resolution, and (c) the ratification of actions previously taken.

The annual budgets of City departments must include the amount of the City's annual lease-purchase payments (including principal and interest) for equipment procured through the San Francisco Finance Corporation. Since these payments are required under the terms of the lease-purchase agreement with the San Francisco Finance Corporation, the annual payments become fixed costs of City departments for the term of the lease revenue bond repayment period, once the equipment has been procured and acquired by the San Francisco Finance Corporation. As noted above, City departments will make lease payments to the San Francisco Financing Corporation, which in turn will use such funds to repay the bond funds.

<u>Item 6 - File 02-0368:</u> The proposed ordinance would appropriate the proceeds from the sale of the Series 2002A Lease Revenue Bonds in the amount of $8,420,000 to finance the purchase of the equipment listed in Attachment I. As shown in Attachment I, total equipment costs are $7,203,985. As noted above, this equipment was previously approved by the Board of Supervisors in the final FY 2001-2002 budget. The proceeds from the sale of the Series 2002A Lease Revenue Bonds would be appropriated as follows:

Equipment Costs	$7,203,985
Required Reserve Fund[1]	842,000
Bond Issuance Costs	205,511
Capitalized Interest[2]	168,504
TOTAL	**$8,420,000**

Comments:

1. Attachment I, provided by Ms. Sesay, contains a list of the equipment to be acquired, including (a) the applicable departments, (b) the number of units, and (c) the equipment costs, as previously approved by the Board of Supervisors in the FY 2001-2002 budget.

2. The actual interest rate to the City on the proposed equipment lease revenue bonds cannot be determined precisely, because the interest rate will depend on prevailing financial market interest rates when the Series 2002A Lease Revenue Bonds are actually sold, according to Ms. Sesay. Interest costs will also vary for each equipment item purchased based on the number of years in the repayment period for the item, which cannot exceed the useful life of the equipment or the five-year term of the proposed lease revenue bonds.

Ms. Sesay estimates that, if the proposed Series 2002A Lease Revenue Bonds are sold in a principal amount of approximately $8,420,000 at an estimated annual interest rate of 3.3 percent (based on current financial market interest rates), and if they are based on the expected repayment period of five years, the City's total principal and interest cost would be approximately $9,078,104 over the five-year life of the Series 2002A Lease Revenue Bonds. Based on these estimates, as previously noted, the City's costs over the life of the Series 2002A Lease Revenue Bonds would be $8,420,000 in principal and

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[1] Lease Revenue bonds have a legally required Reserve Fund equal, in this case, to 10 percent of the principal amount of the bonds.

[2] Pursuant to State law, the City cannot make any interest payments on lease revenue bonds until the City has received the equipment. However, interest on the lease revenue bonds begins accruing when the bonds are sold regardless of when the equipment is eventually purchased and received by the City. Therefore, capitalized interest, estimated in the amount of $168,504, must be paid from proceeds of the Series 2002A Revenue Lease Bonds until such a time as the equipment is actually received by the City and interest payments can be made from funds appropriated in the City budget.

$658,104 in interest costs, for a total cost of $9,078,104 over five years.

3. The proposed resolution would provide for a Continuing Disclosure Agreement. According to Ms. Sesay, Federal law requires all cities and counties, that issue tax-exempt debt, to file an Annual Report with a national repository for the benefit of the investors. The Annual Report would contain the following: (1) the financial statements of the San Francisco Financing Corporation and the City; (2) the status of the project; (3) a summary of budgeted General Fund revenues and appropriations; (4) a summary of assessed valuation of taxable property; and (5) a summary of outstanding and authorized but unissued tax supported debt.

4. The use of lease financing is equivalent to borrowing funds, with resultant interest costs, to purchase equipment. Since such financing requires fixed, mandatory lease payments by City departments over several years, the use of lease-purchases "locks in" departmental expenditures for future years resulting in a reduction in the amount of discretionary monies in the City's budget in future years. However, the Mayor's Office recommends the use of lease-financing for the City's major equipment purchases in order to spread the equipment costs over several years, corresponding to the City's beneficial use of the equipment.

5. Under Charter Section 9.108, the Controller is required to certify, prior to the sale of the proposed Series 2002A Lease Revenue Bonds, that the interest rates on the proposed lease revenue bonds are lower to the City through the San Francisco Finance Corporation than through other financing instruments. Ms. Levin advises that the Controller reviewed the estimated interest rates for comparable equipment lease-financing that would be charged by various companies, including GE Capital Public Finance Corporation, which would charge 4.35 percent annually for a comparable five year term of borrowing, and IBM Global Finance Corporation, which would charge 5.9 percent annually for a five year term of borrowing. As shown in Attachment II, provided by Ms. Levin, the Controller has certified, in accordance with

Charter Section 9.108, that the estimated annual interest rate for the lease revenue bonds issued by the San Francisco Corporation of 3.3 percent, based on a repayment of five years, is less than the interest rates that the surveyed companies would charge.

6. According to Ms. Sesay, the proposed resolution (File 02-0252) also provides for the reimbursement to the City's General Fund for expenditures made prior to the sale of the proposed lease revenue bonds and advanced by the General Fund.

7. Page one, line four of the proposed ordinance (File 02-0368) should be amended to make a technical correction by replacing the phrase, "Mayor's Finance Corporation" with the "San Francisco Finance Corporation," so that the phrase reads, "Ordinance appropriating $8,420,000 from the sale of lease revenue bonds by the San Francisco Finance Corporation..."

Recommendations:

1. Approve the proposed resolution (File 02-0252).

2. In accordance with Comment No. 7 above, amend Page one, line four of the proposed ordinance (File 02-0368) by replacing the phrase, "Mayor's Finance Corporation" with the "San Francisco Finance Corporation," so that the phrase reads, "Ordinance appropriating $8,420,000 from the sale of lease revenue bonds by the San Francisco Finance Corporation..."

3. Approve the proposed ordinance, as amended (File 02-0368).

City and County of San Francisco Finance Corporation
Lease Revenue Bonds
Equipment for FY 2002

Attachment I

Department	Equipment	Units	Unit Cost	Total Cost	Dept. Sub. Total
AGE	Cars-Replacement	3	$ 16,308	$ 48,924	$ 48,924
Animal Care	Van	1	36,652	36,652	36,652
DPH	Methadone Mobile Van	1	100,000	100,000	
	Mammography Digitizer	1	175,000	175,000	
	Digital Pan/Ceph	1	52,748	52,748	
	AGFA Computed Radiography Sys	1	103,805	103,805	
	Prevac Steam Sterilizer - Sterile Proc	1	51,935	51,935	
	Prevacuum Steam Sterilizer - Surgery	1	37,382	37,382	
	Digital Chest Unit	1	503,200	503,200	
	Bispectral Index Monitor	8	9,406	75,248	
	Infant Incubators/Warmer	9	12,079	108,711	
	Potable X-Ray Unit	3	52,059	156,177	
	Echocardiography Machines	1	172,500	172,500	
	Food Pot Machines	1	86,800	86,800	
	Electrosurgery Units	1	52,731	52,731	
	Computer LAN Network	1	195,000	195,000	
	Anesthesia Machines	1	46,095	46,095	1,917,332
DHS	Moving Truck	1	38,394	38,394	
	Sedan, Midsize, Lev	8	22,555	180,440	218,834
Fire	AWSS - 3/4 ton Pickup truck	2	23,000	46,000	
	EMS - Ambulance	8	125,000	1,000,000	
	EMS Multi-casualty unit	1	24,000	24,000	
	Triple combo pumper	2	325,000	650,000	
	Aerial ladder truck	1	545,000	545,000	
	Emergency Generator - Station 7	1	100,000	100,000	
	Rescue/service truck	1	400,000	400,000	
	Mini-pumper	2	83,000	166,000	2,931,000
Juvenile	Van Ford 15 passenger	1	27,122	27,122	27,122
Medical Examiner	Tissue Proccessor	1	41,676	41,676	41,676
Parking & Traffic	CNG 3 Wheeled Vehicles	16	25,932	414,912	
	1/2 Ton Truck	2	33,666	67,332	
	1 Ton Truck	1	47,197	47,197	
	Cisco 4500 Switch	1	31,016	31,016	
	3/4 Ton Truck	1	24,390	24,390	
	CNG Sedans	2	22,173	44,346	629,193
Police	Genetic Analyzer	1	71,170	71,170	
	Marked vehicles	10	24,890	248,900	
	Unmarked vehicles	23	24,228	557,244	
	Property truck	1	30,023	30,023	
	Patrol Vans	4	19,929	79,716	
	Walk In freezer	1	90,000	90,000	1,077,053
Sheriff	12 Passenger Vans	6	26,475	158,850	
	Wheelchair Van	1	42,217	42,217	
	Full-size Marked Sedan	3	25,044	75,132	276,199
		138		$ 7,203,985	$7,203,985

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Edward Harrington
Controller

March 11, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: File Number 02-0252
2002 Finance Corporation Equipment

Dear Ms. Young:

Charter Section 9.108 requires the Controller to certify, prior to the sale of lease financing bonds, that the net interest costs to the City will be lower through the San Francisco Finance Corporation than through other financing instruments such a third party vendors. Under the proposed resolution approving the issuance of lease revenue bonds by the San Francisco Finance Corporation, the estimated annual interest rate is 3.3% based on a repayment period of five years.

I have reviewed interest information for a comparable amount and time period for several third party vendors. These included GE Capital Public Finance Corporation and IBM Global Finance Corporation. The interest rates offered by these companies are 4.35% and 5.98% respectively. Therefore the interest cost for the lease revenue bonds issued by the San Francisco Finance Corporation will be less than the interest cost through other third party vendors.

If you have additional questions or concerns please contact me or Pamela Levin of my staff at 554-7500.

Sincerely,

Edward M. Harrington
Controller

cc: Harvey Rose, Budget Analyst

[illegible]-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694 FAX 415-554-746[illegible]

Item 7 - File 01-1773

Note: At the Finance Committee meeting of February 27, 2002, the Committee released $221,000 out of the previously reserved funds of $253,237, with the remainder of $32,237 continued on reserved.

Departments: Department of Administrative Services (DAS)
Department of Elections (DOE)

Item: Hearing to consider release of reserved funds in the amount of $32,237 for the Reapportionment Project.

Amount: $32,237

Source of Funds: General Fund

Description: The total amount which was originally placed on reserve during the FY 2001-2002 budget for the Reapportionment Project was $253,237. On February 27, 2002, the Finance Committee released $221,000 of the $253,237 originally placed on reserve, to fund the costs of various consultants, computer software and monitors, training, staff salaries, materials and supplies, public announcements, public meetings, and miscellaneous expenses. Approval of that $221,000 release left the current balance of $32,237 on reserve.

At this time, as shown in the Attachment, the Elections Task Force on Redistricting is requesting the release of $15,898.50 for the Reapportionment Project to provide additional newspaper advertising in ethnic media ($5,898.50) and to provide interactive redistricting software to allow the public to submit their own versions of district maps on individual CD-ROMs ($10,000).

Comments: 1. Ms. Elise Johnson of the Department of Elections advises that the existing $10,000 that is budgeted for newspaper advertising is earmarked for advertisements in the San Francisco Chronicle, Examiner, Bay View and SF Weekly. The proposed request for an additional $5,898.50 for advertising

in ethnic media would enable the Task Force to reach a wider and more diverse audience. Ms. Johnson advises that the figure of $5,898.50 for advertising is not based on actual advertising cost information but was determined based on subtracting the $10,000 contract cost for the installation of the interactive software program (see Comment No. 2 below) from the amount budgeted for "Miscellaneous Elections Task Force" costs of $15,898.50 ($15,989.50 less $10,000). Ms. Johnson further advises that the specific newspapers and the number of advertisements have not yet been finalized, but would include outreach to the gay and lesbian, Hispanic and Asian communities.

2. Ms. Johnson advises that the proposed request to release $10,000 would result in the Department instituting interactive software, whereby informational CD-ROMs are distributed to members of the public, enabling them to create various alternative versions of district boundary maps. According to Ms. Johnson, such maps could enable the public to provide more input into the redistricting process. Ms. Johnson advises that, if the proposed request is approved, a $10,000 contract would likely be awarded on a sole source basis to Moose Point, a vendor who specializes in such mapping systems. As of the writing of this report, Ms. Johnson was not able to provide the hours and hourly rates for the subject contract.

Recommendation: Although, the Budget Analyst believes that this $15,898.50 request appears reasonable based on the Departmental explanations provided, we consider approval this request to be a policy matter for the Board of Supervisors because (a) the hours and hourly rates for the contract to install the interactive software program were not available as of the writing of this report and, (b) the amount budgeted for advertising is not based on actual advertising cost information.

ELECTIONS TASK FORCE ON REDISTRICTING

March 13, 2002

Ms. Debra Newman
Budget Analyst's Office
Room 244
San Francisco City Hall

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Tammy Haygood, Director, Department of Elections

Dear Ms. Newman,

As presented at the Finance Committee meeting of March 13, 2002, the San Francisco Elections Task Force on Redistricting requests the release of $15,898.50 in previously reserved funds. At the request of Supervisor Peskin, this memo will serve as an explanation of how these funds will be used. This item has been continued to the March 20, 2002 Finance Committee meeting.

The $15,898.50 is requested, pending Finance Committee approval, for the following line items:

$ 5,898.50	Newspaper advertising, to include more ethnic media
$10,000.00	Interactive Redistricting Software (This software would allow members of the public to submit their own versions of district maps through the use of individual CD-ROMS, which would be made available at community meetings.)

In addition, please find attached the amended Task Force on Redistricting budget, with a total amount of $238,902.36. The original reserve budget was $253,237.00, which under its own analysis, the Task Force reduced to the $238,902.36 figure.

If you have any questions regarding this request, please contact Quintin Mecke, Task Force on Redistricting member, at 415-863-8847. Thank you for your consideration.

REDISTRICTING, REPRECINCTING & ELECTIONS TASK FORCE BUDGET CONSIDERATIONS

Consultant				
Technical Consultant (RFP)			Approx. 300/hrs @ $150.00/ hr per person	$45,000.00
Neighborhood Consultant/Mtg Facilitation				$25,000.00
Database/Communications/Consulting	DIMSnet		$150/hr @ 40 hrs	$6,000.00
David Binder (Polling/Surveys)				$18,500.00
			Subtotal	$94,500.00
Computer/Software				
Computer/Monitor	2 - Elections Task Force/Kiosk			$4,000.00
Software - MS Office/Redistricting	2- Elections Task Force/Kiosk			$1,500.00
				$5,500.00
Training				
Tech Learning Center	$61.49 per student per day		2 students - 7 days	$860.86
Customized Training	$100/hr		5 hours	$500.00
			Subtotal	$1,360.86
Staff				
Project Lead	Adriana Cruz	1471	$1460 bi- 3 mo. (18.25/hr)	$8,760.00
Assistant (2) Clerical/Data Entry/Testing		2-1402	$1144 bi-3 mo. (14.30/hr)	$13,728.00
Field Workers	Gary Pettinger/John Martin	2-1403	$1596 bi-2 wks. (19.95/hr)	$3,192.00
MIS Support	Rick Pazmino	1471	$1460 bi-1.5 mo, (18.25/hr)	$4,380.00
City Attorney	per City Attorney's Office, no fee for services			$0.00
Overtime				$4,216.50
			Subtotal	$34,276.50
Supplies				
Paper/envelopes	Elections Task Force			$2,400.00
Postage/messenger/Express Delivery	Elections Task Force			$750.00
Copying Cost/Color Copies	Elections Task Force			$400.00
Misc.	Elections Task Force			$1,200.00
Graphics				$500.00
Printing Cost	2000 Citywide maps			$2,000.00
	500 Sup dist maps (11 dist)			$3,200.00
			Subtotal	$10,450.00
Public Announcements				
Newspapers/Advertising	Reapportionment Announcements, 1/2 page ads			$10,000.00
Meeting Announcements	Elections Task Force		$19.06/ line x 275 lines (Chr)	$5,241.50
Public Outreach (Flyers/Mailings/ Contact Community Organizations), Translation Fees				$30,000.00
			Subtotal	$45,241.50
Public Meetings				
Facilities Rental Costs (Min. 11 Dist.)	Elections Task Force	Park&Rec/Schools	No Fees	$0.00
City Watch	Elections Task Force			
City Hall Meetings -$450.00 for first 3 hrs.			x 9 meetings	$4,050.00
Off Site Meetings - $1125.00 for first 2 hrs.			x 11 meetings	$12,375.00
Website	Elections Task Force			$15,000.00
			Subtotal	$31,425.00
Members				
Miscellaneous	Elections Task Force			$15,898.50
Refreshments (for Public)	Elections Task Force			$250.00
				$16,148.50
			GRAND TOTAL	**$238,902.36**

Item 8 - File 02-0248

Department: Department of Elections

Item: Supplemental appropriation ordinance for $3,858,870 from the General Fund Reserve and reappropriating $1,800,000 from the lease-purchase of election equipment for a total of $5,658,870 to fund salaries, fringe benefits, other current expenses, materials and supplies and equipment for the Department of Elections.

Amount:

$3,858,870	General Fund Reserve
1,800,000	Reappropriation from Equipment Lease-Purchase
$5,658,870	Total

Budget:

Temporary Salaries	$1,616,129
Annual Vacation Payoff	4,836
Overtime	521,593
Holiday Pay	24,687
Mandatory Fringe Benefits	280,241
Poll Worker and Polling Place Expenses	558,307
Professional and Specialized Services Contracts	226,641
Maintenance - Buildings & Improvements	3,279
Maintenance Equipment Contract	228,393
Rents & Leases – Bldgs & Structures	47,157
Rents & Leases – Equipment	269,431
Other Current Expenses	861,159
Judgements – Legal Fees	11,652
Taxes, Licenses and Permits	1,347
Materials and Supplies	52,433
Equipment Loan Payment	374,767
Services of Other Departments	485,153
Interdepartmental Recoveries	91,665
Total	$5,658,870

Description: The proposed supplemental appropriation request for $5,658,870 would (a) appropriate $3,858,870 of additional General Fund Reserve for the Department of Elections and (b) reappropriate $1,800,000 of previously appropriated Department of Elections funds that were initially intended to partially pay for the outright purchase of a new elections system from Elections Systems and Software, Inc. (ES&S). Instead this system is being financed over a five-year

period as previously authorized by the Finance Committee (File 01-0836).

As noted above in the Budget Section and discussed below, the proposed supplemental appropriation includes Equipment costs of $374,767, which represents the second loan payment for the current fiscal year to acquire the ES&S election system.

As shown above in the Budget, the total requested $5,658,870 of additional funds would be used for various salary, contracts, maintenance, leases, equipment, materials and supplies, services of other departments and various other current expenses. In general, these additional expenses are being incurred by the Department of Elections due to (a) greater than anticipated expenses in the November of 2001 election, (b) a December of 2001 run-off election for the City Attorney's Office for which funds were not included in the FY 2001-2002 budget (see Attachment I which identifies the $1,947,834 in costs associated with the December of 2001 City Attorney run-off election, (c) additional expenses resulting from Proposition E, which included the establishment of a new Elections Commission to oversee the Department of Elections and which was approved in November of 2001, and (d) greater than anticipated expenses in the March 5, 2002 election.

Specifically, the Department is requesting the following:

Temporary Salaries ($1,616,129)

The Department is requesting an additional $1,616,129 to pay for the increase in Temporary Salaries, which would be offset by a projected surplus of $534,144 in Permanent Salary funds, in FY 2001-02, as follows:

	Budget	Actual Expenses (thru 2/15/02)	Projected Expenses (thru 6/30/02)	Projected Surplus (Deficit)
Permanent Salaries	$1,405,144	$469,581	$871,000	$534,144
Temporary Salaries	900,000	1,609,221	3,050,273	(2,150,273)
Total	$2,305,144	$2,078,802	$3,921,273	($1,616,129)

As shown in Attachment II, and summarized in the Table above, the Department has already expended $1,609,221

for Temporary Salaries, which is $709,221 or 79 percent more than the budgeted Temporary Salary funds of $900,000. As shown in Attachment I, an estimated $731,265 of Temporary Salary and Overtime expenses were incurred as a result of the December of 2001 City Attorney Runoff Election. Mr. Minasian advises that an additional approximately $70,000 of the Temporary Salary expenditures resulted from the need to hire Field Election Deputies (FEDs) for the March of 2002 election, due to Proposition E, rather than relying on volunteer City FEDs, as was done in the past (see Comment No. 1). In addition, $25,000 of the projected expenditures are for a Secretary for the new Elections Commission (see Comment No. 2). Overall, as shown above, the Department anticipates spending an estimated $3,050,273 for Temporary Salaries in FY 2001-2002, which is $2,150,273 or 239 percent more than the $900,000 originally budgeted.

In contrast, as shown above, the Department is underspending by $534,144 or 38 percent less than their budget of $1,405,144 for Permanent Salaries, because the Department of Elections has not filled 11.2 FTEs of their total 24 FTE permanent budgeted positions, or a vacancy factor of 47 percent. Instead, the Department has continued to use temporary staff to perform the duties of the permanently budgeted positions. This is a recurring problem for the Department, and similarly resulted in significant overspending of Temporary Salaries and underspending of Permanent Salaries in previous years. To address this issue of overspending for Temporary Salaries, the Department proposed to reorganize the overall Department's management and requested and received 12 substitutions and 9.0 additional new FTE permanent positions in the current FY 2001-2002 budget. However, as demonstrated by the requested supplemental appropriation and summarized in the Table above, this reorganization did not result in the ability of the Department to control its Temporary Salary expenditures (see Comment Nos. 1, 2 and 3).

Annual Vacation Payoff ($4,836)

The Department is requesting $4,836 for a one-time vacation payoff resulting from the retirement of a Department of Elections employee.

Overtime ($521,593)

The Department is requesting $521,593 for Overtime expenditures, as shown below:

Budget	Actual Expenses (thru 2/15/02)	Projected Expenses (thru 6/30/02)	Projected Surplus (Deficit)
$200,000	$546,593	$721,593	($521,593)

Although the Department of Elections anticipates overspending their Temporary Salary budget by 239 percent, as discussed above, the Department is also projecting Overtime expenses totaling $721,593 or 261 percent more than the $200,000 originally budgeted. Yet despite the Budget Analyst's finding that actual Temporary Salaries for FY 2001-2002 will exceed budgeted Temporary Salaries by 239 percent, Mr. Ara Minasian of the Department of Administrative Services advises that this extraordinary use of Overtime was necessary because the Department of Elections was unable to recruit and supervise sufficient Temporary staff, thus necessitating the available Temporary staff to work additional hours. According to Mr. Minasian, the use of Overtime was compounded due to the various vacancies in the permanent management staff within the Department of Elections (see Comment No. 4).

Holiday Pay ($24,687)

The Department of Elections FY 2001-2002 budget does not include any funds for Holiday Pay because according to Mr. Minasian, in previous years, the Department of Elections covered such Holiday Pay expenses, through the Department's other salary accounts. However, Mr. Minasian advises that given the cost overruns incurred in the current fiscal year in the Department's other salary accounts, the Department cannot cover these Holiday Pay expenses, and has therefore separately accounted and requested additional direct funding for such Holiday Pay expenses. To date, the Department has incurred $19,687 of Holiday Pay expenses, primarily during October, November and December of 2001 and projects an additional $5,000 of Holiday Pay expenses through the end of the fiscal year for a total estimated need of $24,687. Mr. Minasian notes that

the FY 2002-2003 budget for the Department of Elections will likely include expenses separately budgeted for Holiday Pay.

Mandatory Fringe Benefits ($280,241)
The requested fringe benefit funds reflect the additional Temporary Salary, Overtime and Holiday Pay expenses that the Department projects incurring through the balance of the fiscal year.

Poll Workers ($558,307)
As shown in Attachment I, $410,661, or approximately 74 percent of the requested $558,307 poll worker and polling place expenses resulted from the unanticipated December of 2001 City Attorney runoff election. Mr. Minasian advises that the remaining $147,646 or approximately 26 percent of the requested Poll Workers expenses results from the November of 2001 and March of 2002 elections. During these elections, the Department assigned additional poll workers to each polling site, provided additional hours of training for new and returning poll workers and provided incentive pay to the poll workers to deliver the ballots to the polling locations. According to Mr. Minasian, historically, the Department of Elections provided three poll workers and one Inspector at each polling site. However, Mr. Minasian advises that during the November of 2001 and the March of 2002 elections, the Department increased the number of poll workers to four, and one Inspector, for a total of five poll workers at each polling site, due to the complexity of the ballots during these elections. The costs for these additional poll workers were not included in the Department's FY 2001-2002 budget and had not been previously authorized (see Comment No. 5).

Professional and Specialized Services Contracts ($226,641)
As shown below, the Department has now expended $329,176 of the budgeted $377,408 for professional and specialized services. However, the Department anticipates incurring a total of $604,049 for such expenses during the current fiscal year, which is $226,641, or 60 percent more than the amount budgeted.

Budget	Actual Expenses (thru 2/15/02)	Total Projected Expenses (thru 6/30/02)	Projected Surplus (Deficit)
$377,408	$329,176	$604,049	$226,641

According to Mr. Minasian, the additional $226,641 results primarily from (a) three contracts for a total of $120,000 for public relations and communication services and (b) one contract for a total of approximately $100,000 for an elections consultant to assist the Department. Therefore a total of $220,000 of public relations and consulting contracts were awarded. The three public relations and communications consultant contracts, their contractual dates, hourly rates, and total estimated costs are: (1) Melissa A. Mooney dba M2PR, hired from October 15, 2001 through November 15, 2001, at a rate of $125 per hour for a total of 140 hours, plus additional charges, for a total of up to $20,000; (2) Cynthia A. MacKenzie, hired from November 19, 2001 through March 31, 2002, at a rate of $140 per hour for a total of 320 hours, plus additional charges, for a total of up to $50,000; and (3) MacKenzie Communications, Inc., hired from November 30, 2001 through March 31, 2002, at a rate of $225 per hour for a total of 200 hours, plus additional charges for a total of up to $50,000. Additionally, Mr. Minasian advises that in August of 2001, the Chief Administrative Officer hired Mr. Bill Jackson, who is retired from the San Mateo County Department of Elections, as a technical elections consultant to assist the Department at a maximum cost of $100,000. According to Mr. Minasian, to date, Mr. Jackson has billed the Department approximately $80,000 (see Comment No. 6).

Maintenance - Buildings & Improvements ($3,279)

The Department did not budget any funds in FY 2001-2002 for the building and improvement maintenance services. The requested $3,279 is for the costs to pay for maintenance of the elevator at 240 Van Ness Avenue, a City-owned approximately 5,000 square foot space the Department of Elections has been using on a temporary basis since October of 2001. The Department is not currently paying any lease costs for this space.

Maintenance – Equipment ($228,393)
The Department already budgeted the necessary $228,393 to pay for the Department's Elections Systems and Software, Inc. (ES&S) maintenance contract services in FY 2001-2002. However, Mr. Minasian advises that the previously budgeted $228,393 for the ES&S equipment maintenance services was instead spent for additional Other Current Expenses (see below), resulting in insufficient funds to pay the necessary $228,393 for the equipment maintenance contract with ES&S.

Rents & Leases – Bldgs & Structures ($47,157)
As shown below, the Department has already expended $63,811, or $13,811 more than the $50,000 budgeted for the entire fiscal year for rents and leases. However, the Department anticipates incurring a total of $97,157 for such expenses, which is $47,157, or 94 percent more than budgeted.

Budget	Actual Expenses (thru 2/15/02)	Total Projected Expenses (thru 6/30/02)	Projected Surplus (Deficit)
$50,000	$63,811	$97,157	$47,157

Mr. Minasian advises that these additional rental expenses were incurred due to (a) carryforward costs of $6,000 from the November and December of 2000 election costs for Pier 45, (b) carryforward costs of $8,376 from the November and December of 2000 elections to rent polling places from the San Francisco Unified School District, (c) $6,800 for additional training classes at the Community College District, (d) a rent increase of $228 per month for seven months for the Pier 29 facility, or an additional $1,596 and (e) miscellaneous additional polling place rental fees (see Comment No. 7).

Rents & Leases – Equipment ($269,431)
As shown in Attachment II, the Department did not include specific budgeted funds for equipment rents and leases in their FY 2001-2002 budget, although through February 15, 2002, the Department reports expending $114,831 for equipment rentals, of which an estimated $33,438 was a result of the December of 2001 City Attorney runoff election, as itemized below. As also itemized below, the

Department anticipates expending an additional $154,600 for equipment rents and leases as a result of the March 5, 2002 election, including $115,000 for vehicle rentals for the March, 2002 election, as follows:

	December 2001 Run-off Election	March, 2002 Election
Vehicle Rentals	$6,740	$115,000
Lighting	4,875	2,200
Restrooms	11,548	10,400
Tents	10,275	10,000
Computers	0	9,000
Eagles	0	8,000
Total	$33,438	$154,600

Together, the already expended $114,831 and the projected $154,600 results in the requested total of $269,431 by the Department (see Comment No. 8).

Other Current Expenses ($861,159)

As noted above, the Department advises that previously budgeted costs, such as $228,393 for the ES&S Equipment Maintenance services contract were instead spent for additional Other Current Expenses that were incurred this fiscal year, resulting in insufficient funds to pay the necessary $228,393 for the equipment maintenance contract with ES&S. As a result, the Department has requested such additional funds as part of the proposed supplemental appropriation. In addition however, the Department reports that there is a further shortfall in Other Current Expenses, although the actual shortfall is larger than the amount being requested, since as noted above, some of the costs were allocated to other subobjects, such as Equipment Maintenance. For example, the Department reports that $1,540,156 of additional Other Current Expenses were needed due to (a) overexpenditures of $135,879 from the November of 2001 election due to a 2-card ballot, instead of the budgeted 1-card ballot; (b) $415,277 ($59,717 for mailing services, $59,899 for printing of voter information pamphlet, $147,723 for ballots, $134,280 for postage and $13,658 for advertising) of expenditures incurred from the December of 2001 City Attorney run-off election, which was not budgeted; (c) $69,000 of additional ballot storage expenses; (d) $20,000 of additional travel, training and other office expenses for the

new Elections Commission; (e) overexpenditures of $900,000 from the March 5, 2002 election due to the printing of 375 various forms of the ballots, which cost $1,800,000, rather than the budgeted $900,000 (see Comment No. 9).

Judgements – Legal Fees ($11,652)

Mr. Minasian reports that the Department has incurred legal expenses of $11,652 for services provided by Ms. Kay Lucas, a private attorney, who was working with Retired Judge Herbert Donaldson, who was hired by Mr. Bill Lee, the City's Administrative Officer, to investigate a Department of Election employee's allegations regarding payroll reports and the misuse of City funds. The results of this investigation by Ms. Lucas and Judge Donaldson found that there was no basis for such allegations. However, the Budget Analyst notes that the employee who made these allegations continues to be employed as a permanent employee by the Department of Elections at an annual salary of approximately $92,000 with estimated fringe benefit costs of $23,000, or total annual cost of approximately $115,000.

Taxes, Licenses and Permits ($1,347)

The Department is requesting a total of $1,347 including (a) $230 for permits for street fair booths used to recruit poll workers, (b) $500 annual fee to the U.S. Postal Service to maintain a Business Reply Mail account, (c) $580 fee to the Department of Parking and Traffic for street closures on election day, and (d) $37 fee to the Police Department for a "sound" permit to have outdoor amplified music during a poll worker recruitment event (see Comment No. 10).

Materials and Supplies ($52,433)

The Department advises that through February 8, 2002, the Department expended $529,709 for Materials and Supplies and projects spending an additional $685,488 through June 30, 2002, for total expenditures of $1,215,197. Some of the projected additional expenditures include: the purchase of new tables and chairs ($61,987), miscellaneous office supplies ($50,000), envelopes ($128,000), ballot pens ($22,500), rice bags ($11,750), voting booths ($18,000), additional tables ($23,584), luggage carts ($28,000), shelving ($45,000), bar code readers ($5,550) and cell phones ($7,104) (see Comment No. 11).

Equipment ($374,767)
The Department advises that these Equipment funds are for the second annual loan payment for Fiscal Year 2001-2002 to finance the purchase of the ES&S elections system. Under the five-year financing plan, which began on April 6, 2000 and extends through June 1, 2005, at an interest rate of 5.18 percent, the Department will ultimately pay a total cost of approximately $3.7 million, including total interest expenses of approximately $500,000 over the five-year financing period.

Services of Other Departments ($485,153)
As shown in Attachment II, the Department anticipates needing an additional estimated $485,153 to pay other City departments for services provided to the Department of Elections. As detailed in Attachment II, although the Department budgeted $50,000 for the Department of Parking and Traffic (DPT) and $90,000 for the Department of Public Works (DPW), the expenses for DPT were incurred under Professional Services and the expenses for DPW were not incurred. Instead, the main reason for the additional requested funds is a result of the projected $710,366 of Overtime expenditures by the Sheriff's Department to provide security for the Department of Elections (see Comment No. 12).

Interdepartmental Recoveries ($91,665)
The Department budgeted the recovery of $91,665 of revenues from the Employees Retirement Department and the Health Service System in the anticipation that each of these departments would require the Department of Elections to conduct an election in FY 2002-2003 for their Boards. However, Mr. Minasian advises that neither of these Department's Boards will be requiring an election in FY 2002-2003, such that the Department of Elections will not be recovering these funds this fiscal year.

Comments:

1. In November of 2001, the voters of San Francisco approved Proposition E, a Charter Amendment which (a) creates an Elections Commission to oversee the Department of Elections, (b) charges the Sheriff's Department with elections security as well as transporting and safeguarding voted ballots for the elections and (c) prohibits the use of City employees, other than Department

of Elections employees, from staffing elections, unless this prohibition is specifically waived by the Elections Commission and the Board of Supervisors.

Based on the Controller's cost estimates submitted in the Voter Information Pamphlet for Proposition E, the DOE previously relied on 66 volunteer Field Election Deputies (FEDs), provided by approximately 14 City departments, at a loss of productivity to these other departments, but at no cost to the DOE, to assist in conducting each election. Based on a total of approximately 650 polling locations, each City FED is responsible for overseeing and managing approximately ten polling places, and are critical on the day of the elections to ensure that each polling place opens on time, is adequately staffedand has sufficient supplies. The FEDs play a troubleshooting role throughout elections day. However, now, as stated above, Proposition E prohibits the use of such City FEDs, unless such a prohibition is specifically waived by the Elections Commission and the Board of Supervisors. The Elections Commission did not waive this provision or seek such a waiver from the Board of Supervisors. Instead, for the March 5, 2002 election, the DOE hired and trained new Temporary Salary workers as FEDs. As a result, the DOE is requesting an additional approximately $70,000 out of the requested $1,616,129 in Temporary Salaries for funds already expended to hire and train 102 FEDs at an estimated cost of $14.71 per hour for an average of 44 hours per FED. The Budget Analyst questions why the DOE did not request a waiver from the Elections Commission and the Board of Supervisors and instead hired 102 FEDs at an additional cost of approximately $70,000 for the March 5, 2002 election given that (a) Proposition E provided for a waiver of this provision (b) in prior years, the DOE relied on approximately 66 City employee to serve as FEDs, which is 36 fewer FEDs than the 102 non-City employee FEDs that DOE actually hired and trained and (c) the Department knew it did not have sufficient funds to pay for this additional cost.

2. The Department has included $25,000 for the balance of FY 2001-2002 in the Temporary Salary request for a new Elections Commission Secretary position. Ms. Joan Lubamersky of the Department of Administrative Services advises that the Department of Human Resources (DHR)

recently approved an AC35, Board Commission Secretary III for the Elections Commission, at an annual salary range of $65,364 to $79,456, plus fringe benefits of approximately 25 percent or an estimated $100,000 annually which is comparable to the Port Commission's Secretary position. The Budget Analyst notes that, even if the requested Elections Commission Secretary position was quickly filled by April 1, 2002, at the recommended annual starting salary of $65,364, the DOE would only require an estimated $16,341, not $25,000 for the remainder of this fiscal year. Therefore, the Budget Analyst recommends reducing the requested Temporary Salary funds by $8,659, and the related fringe benefits by $2,165 which would provide sufficient funds to fill the Commission Secretary position as of April 1, 2002. Mr. Minasian advises that the DOE will likely request a new Commission Secretary permanent position in the FY 2002-2003 budget. The Budget Analyst will review that matter in the FY 2002-2003 budget.

3. The Budget Analyst seriously questions the extraordinary use of Temporary Salaries by the Department of Elections. The Budget Analyst notes that in FY 2000-2001, when the Department had such extraordinary overexpenditures in Temporary Salaries, the Department incurred total Temporary Salary expenditures of $1,596,700, which was $746,267, or 88 percent more than the $850,433 initially budgeted and as a result, the Department recommended reorganizing the Department by substituting 12 employees and hiring 9 new employees. These changes appear to have worsened the Temporary Salary problem. As noted above, as of February 15, 2002 the Department had already expended $1,609,221 for Temporary Salaries, which is $709,221 or 79 percent more than the budgeted Temporary Salary funds of $900,000 and based on the projections by the Department, DOE anticipates spending $3,050,273 for Temporary Salaries in FY 2001-2002, which is $2,150,273 or 239 percent more than the $900,000 originally budgeted this fiscal year.

A review of the projected remaining levels of Temporary Salaries reveals that the Department plans to continue to maintain high levels of Temporary Salary employees through the end of Fiscal Year 2001-2002. During the March 5, 2002 election, the Department hired 274

temporary employees. According to the Department's projections, currently there are approximately 162 FTE permanent and temporary employees in the Department. Even by the end of this fiscal year, the Department anticipates maintaining 51 FTE permanent and temporary salary employees. The Budget Analyst notes that the Department's FY 2002-2003 budget only provides for a total equivalent of 42.4 FTE permanent and temporary salary positions, including during peak election periods. The Budget Analyst therefore seriously questions the justification of projecting such high Temporary Salary expenses during the remainder of the fiscal year and recommends a reduction of at least $267,926, or one-half of the projected Temporary Salary expenses for the balance of Fiscal Year 2001-2002 from the requested amount of $1,116,129, which would still provide $848,203 for Temporary Salaries. The Budget Analyst also recommends a reduction of an estimated $40,189 for the fringe benefit costs related to these Temporary Salaries.

4. The Budget Analyst notes that in October of 2001, when the Department of Elections requested the release of $2,015,719 of reserve funds from the Finance Committee, Ms. Haygood reported that the Department's Overtime expenses were likely to be less than budgeted since Elections employees are not permitted to work any overtime hours unless the hours are specifically approved by the Director of the Department. The Budget Analyst therefore questions the amount of management oversight that was provided, given the number of vacant positions in the Department, the extraordinary large number of temporary employees hired, coupled with Overtime expenditures which are projected to be 261 percent more than budgeted.

5. The Budget Analyst questions the Department's decision to hire and train additional poll workers for each of the elections without the prior funding authorization by the Board of Supervisors. As noted above, all of the poll worker expenses have already been incurred by the Department.

6. In response to the Budget Analyst's inquiries regarding why the DOE retained three consultants at a cost of $120,000 to serve as public relations and communications specialists, Ms. Tammy Haygood, Director of Elections

forwarded Attachment III, a March 11, 2002 memorandum which was provided to Supervisor Daly. As noted in Attachment III, Ms. Haygood states that "It has become very obvious that the Department of Elections needs to improve and broaden the effectiveness, clarity, form and channels of its communications at all levels including to the general public, voters, City staff, media and the Board of Supervisors. Apart from my own perspective, this need was recently expressed to me by the members of the Rules Committee....I believe that I am not only justified in hiring consultants to address these critical needs, but that I would be negligent if I were not to devote resources to this area right now." The communications and public relations contractual activities included production of a series of press releases and public service announcements, media information kits, media briefings and interviews and design of the DOE's website.

The Budget Analyst notes that the funds to pay for these three public relations services agreements totaling $120,000 and the one agreement for technical elections consulting services for $100,000 were not included in the Department's budget, nor previously specifically authorized for funding by the Board of Supervisors. The Budget Analyst questions the justification for these four professional services contacts and considers approval of the entire $220,000 requested to fund these four contracts to be a policy matter for the Board of Supervisors. The Budget Analyst also recommends that $50,000 that is included in the requested supplemental appropriation for "miscellaneous" professional fees, that contains no supporting details, also be deleted from the subject request.

A review of the Department's original budget and current budget reflects many changes and transfers of funds from one object or account to another. The Budget Analyst also notes that a review of the expenditures incurred by the Department indicate that the Department is incurring expenditures in various objects or accounts, although the funds for such expenditures are actually budgeted in other accounts. For example, the Department charged to their Professional and Specialized Services account (a) $87,073 to pay a temporary agency for Temporary employees, (b) $6,974 of van rental expenses and (c) $39,824 for the

Department of Parking and Traffic to pick up ballots after the November and December of 2001 election. As a result, although such transfers are authorized by the Annual Appropriation Ordinance, it is extremely difficult to accurately determine how much the Department is actually expending in its various expense accounts since they consistently transferred monies from one account to another, subsequent to the Board of Supervisors having approved this budget.

7. For this subject request, the Department has double-budgeted $4,669 for the property rent for Pier 29. The Department also included $10,000 of miscellaneous unidentified property rents in their projections, that are not justified. Therefore, the Budget Analyst recommends reducing the requested $47,157 for Rents & Leases by $14,669 ($4,669 plus $10,000) to $32,488.

8. The proposed supplemental appropriation includes an estimated $115,000 to rent vehicles for the March 5, 2002 election. Given this considerable expense, the Budget Analyst questioned the Department regarding the need to spend a projected $115,000 to rent various vehicles just for the March 5, 2002 election. In response, Mr. Lee advised the Budget Analyst that the Department actually expended approximately $185,000, or an estimated $70,000 more than is being requested in the subject supplemental appropriation, to rent various vehicles for the March 5, 2002 election (See Attachment V which identifies the vehicles rented).

Such vehicle rentals included $92,000 to rent 101 vans for an average period of two weeks per vehicle, or an average of $911 per van, for the Field Election Deputies (FEDs) to provide access to the various polling locations throughout the City. As noted above, the FED jobs were previously performed by other City department staff using their own vehicles. In addition, Mr. Lee advises that the Department incurred the remaining approximately $93,000 vehicle rental expenses to lease a total of 84 various trucks, vans, cars and other vehicles for other permanent and temporary staff to conduct voter outreach, provide election support, transport various ballots between locations, etc. The Budget Analyst questions (a) the actual need to rent 185 (101 plus 84), vehicles at a total cost of $185,000 for the

March 5, 2002 election, (b) the extremely high cost of renting these vehicles and (c) why the vans were rented for an average period of two weeks each, when the FEDs only required these vehicles on election day. The Budget Analyst notes that the Controller's Office, in preparing the cost estimates included in the Voter's Information Pamphlet for Proposition E, identified a cost of approximately $800 (16 vehicles at $50 per vehicle) for the Department of Elections to rent vehicles for the hired Field Election Deputies. The Controller's estimate of $800 is $184,200, or 99 percent less than the $185,000 now projected to be expended by the Department of Elections for such vehicles.

The Budget Analyst would not have recommended approval of all the requested expenditures for vehicle rentals, if the subject request were submitted prior to the March 5, 2002 election. However, given that these expenditures have already been incurred by the Department, the Budget Analyst considers approval of such extraordinary vehicle rental costs to be a policy matter for the Board of Supervisors.

9. Regarding Other Current Expenses, the Budget Analyst questions spending an additional $69,000 for ballot storage expenses for the last six months of the fiscal year at an average cost of $11,500 per month. Mr. Minasian advises that these costs are high because the Department is currently using the City's secure file vendor to store the November, December and March ballots. In addition, the Department is using Pier 29, 240 Van Ness, and City Hall for various operations and storage. Ms. Haygood advises that many of the Department's problems result from the lack of consolidated space and reports that the Department is currently working with the Division of Real Estate to locate one consolidated site for the Department of Elections operations and storage needs.

The Budget Analyst also questions the inclusion of $20,000 of additional travel, training and other office expenses for the new Elections Commission, for which no details whatsoever were provided. The Budget Analyst notes that the Controller's statement in the November of 2001 Voter Information Pamphlet for Proposition E states that approximately $100,000 annually would be required to provide an Elections Commission Secretary and to cover

the cost of meetings, public notices, and other requirements of the Commission. As discussed above, an Elections Commission Secretary at an annual salary cost of $65,364 to $79,456, including fringe benefits of approximately 25 percent or a total annual cost of approximately $100,000 is also being requested. Therefore, the Budget Analyst recommends reducing the requested $20,000 for the Commission's expenses, for which no details were provided.

Furthermore, as part of this supplemental appropriation, the DOE is requesting an additional $900,000 ($900,000 initially budgeted but actual costs are $1,800,000) which resulted from the March 5, 2002 election due to the printing of 375 various forms of the ballots. The Budget Analyst requested that the Department provide the State ballot printing guidelines and the number of ballots printed and used by precinct for the March 5, 2002 election. As of the writing of this report, Ms. Haygood advises that the Department is still canvassing the ballots to determine the number of ballots distributed and used by precinct.

10. The Budget Analyst questions the $1,347 in Taxes, Licenses and Permit expenses that are included in the proposed supplemental, since they appear to be regular, ongoing expenses of the Department that would typically have been included in the Department's annual budget request. Therefore, the Budget Analyst considers approval of these expenses to be a policy matter for the Board of Supervisors.

11. In response to inquiries from the Budget Analyst regarding the cell phones purchased by the Department for $7,104, Mr. Lee advises that for the November and December of 2001 elections, the Department received approximately 500 free cell phones from Nokia and AT&T, for which the DOE paid the activation and use charges. Mr. Lee advises that AT&T had previously offered free activation and use of the free cell phones by the DOE, but after many of the cell phones were not returned to AT&T, the company began charging the DOE for activation and use of the phones. Mr. Lee advises that, after the December of 2001 election, he obtained an additional 200 cell phones for the DOE that were being discarded by the Police Department. Therefore, the DOE already had approximately 700 cell phones, when they decided to

purchase an additional 150 cell phones at a cost of $7,104, for a total of 850 cell phones. Mr. Lee advises that these cell phones were given to each of the 650 Inspectors assigned to each polling place, the 102 Field Election Deputies and various other DOE staff to use during the March 5, 2002 election. Mr. Lee reports that the activation and use charges for these cell phones is estimated to be approximately $50,000 for Fiscal Year 2001-2002.

In response to the Budget Analyst's inquiry regarding why the Department needed additional tables and chairs, Ms. Haygood advised that the Department required ten additional precincts be opened for the March 5, 2002 election and all of the precincts needed additional surface space due to the ballot volume. However, the Budget Analyst notes that the Department is requesting $85,571 ($61,987 plus $23,584) for such tables and chairs, or an average of $8,557 for each of the ten precincts. In response to inquiries from the Budget Analyst regarding why numerous other Materials and Supplies expenses, such as miscellaneous office supplies ($50,000), envelopes ($128,000), ballot pens ($22,500), rice bags ($11,750), voting booths ($18,000), and luggage carts ($28,000) were also incurred without first obtaining funding authorization by the Board of Supervisors since these expenditures were in excess of the Department's budget, Ms. Haygood advises that such expenses were required due to the complexity of the March 5, 2002 election. The Budget Analyst considers approval of the requested $52,433 for Materials and Supplies to be a policy matter for the Board of Supervisors.

12. Proposition E requires states that "The Sheriff shall be responsible for preserving the security and integrity of elections in all matters including but not limited to transporting all ballots and all other documents or devices used to record votes from the polls to the central counting location and providing security for the ballots until the certification of election results....The Elections Commission shall send a copy of the approved security plan to the Board of Supervisors." Ms. Haygood advises that, to date, the Elections Commission has not sent a copy of an approved security plan to the Board of Supervisors, as required by Proposition E.

As discussed above, the proposed supplemental appropriation includes $710,366 of Overtime expenditures by the Sheriff's Department to provide security for the Department of Elections. Attachment IV, provided by Ms. Jean Mariani of the Sheriff's Department identifies the costs actually incurred by the Sheriff's Department from November through February, and then identifies by task the costs incurred for the March 5, 2002 election and that are continuing to be incurred by the Sheriff's Department. As shown in Attachment IV, the Sheriff's Department reports expending $398,542 from November of 2001 through February of 2002, an additional $347,467 for the March 5, 2002 election and another $59,192 to provide security at Pier 29, for a total of $805,201 of primarily Sheriff's overtime expenses. In response to inquiries from the Budget Analyst regarding why the Sheriff's Department incurred $805,201 of expenses, or $94,835 more than the $710,366 proposed to be expended, Ms. Mariani advises that such expenditures were due to the fact that it was the first time the Sheriff's Department has provided security for elections and that requests to the Sheriff for additional security were made by the Department of Elections. Ms. Haygood denies that the Department of Elections made requests to the Sheriff for additional security. Ms. Mariani advises that, in addition to the subject supplemental appropriation, the Sheriff's Department will be seeking additional requests for funding from the Board of Supervisors to cover the $94,835 of expenses.

According to Ms. Haygood, the Department of Elections explained the elections activities and procedures to the Sheriff's Department and left the decisions regarding the number and level of staffing and for which elections operations to the discretion of the Sheriff's Department. The Budget Analyst notes that for Proposition E, the Controller estimated in the Voter's Information Pamphlet that the Sheriff's costs would be approximately $245,000, assuming that two elections were held during the fiscal year. However, the Controller's estimates for the Sheriff's Department also assumed that some costs, such as the costs for Parking Control Officers (PCOs) to pick up the memory packs from the polling places after the election would be eliminated; a review of the Sheriff's costs indicate that they are still using the PCOs to pick up the memory

packs, and are now just overseeing and providing security for such operations.

In the professional judgement of the Budget Analyst, the staffing and the level of security provided by the Sheriff's Department for the Department of Elections for the March 5, 2002 election are excessive. Such costs could be reduced considerably for future elections in the Budget Analyst's judgement. The Budget Analyst recommends that the Board of Supervisors request the Sheriff's Department to immediately meet with the Department of Elections, the Mayor's Budget Office and the Controller's Office, in consultation with the City Attorney's Office, regarding the requirements of Proposition E, to review the required Sheriff's security costs for elections in detail in order to eliminate the excessive costs that were incurred by the Sheriff Office for the March 5, 2002 election and to provide a more reasonable level of security for future elections.

13. As noted in all of the expense categories discussed above, the Department is requesting that the Board of Supervisors approve most of the requested supplemental appropriation on a retroactive basis because such requested funds have already been incurred. The Budget Analyst questions why the Department did not submit the requested supplemental appropriation immediately after the December of 2001 City Attorney run-off election was held, when the Department knew the extent of the cost overruns of the November of 2001 election, the December of 2001 City Attorney run-off election expenses that had not been included in the budget, the potential costs of Proposition E which had been approved in November of 2001, and the likely increased costs of the March 5, 2002 election. At that time, there could have been a meaningful discussion regarding the need to either hire 102 Field Election Deputies or alternatively use available City staff, the need to rent vehicles at a cost of up to $185,000 for the March 5, 2002 election, the need for excessive amounts of Temporary Salary and Overtime expenditures, the need for the excessive level of Sheriff's Deputies to secure ballots, the need for technical consultant services and public relations contractors, additional materials and supplies, etc. In the professional judgement of the Budget Analyst, the Department should have obtained prior approval from the Board of Supervisors before incurring such expenses

since such expenses were in excess of the Department's budget.

Furthermore, the Budget Analyst concludes that there have been little, if any budgetary controls or efficiency measures undertaken by the Department, coupled with a total disregard by the management of the Department for the approved appropriations established in the FY 2001-2002 budget.

14. According to Mr. Ted Lakey of the City Attorney's Office, the Board of Supervisors is obligated to pay the salary expenditures that have been incurred for permanent or temporary employees who were properly authorized to work, and in fact did work for the DOE. Regarding the remaining non-salary expenditures, Mr. Lakey advises that the City Attorney's Office would have to review individual contracts and agreements that were entered into by the DOE to determine whether the City could withhold funds from such vendors and contractors, if the Board of Supervisors did not want to approve such funds. However, Mr. Lakey notes that in many of these cases, the DOE has already received and used the materials that may be in question (e.g., tables and chairs, cell phones, etc.), and the ability of the DOE to return such materials to vendors may be questionable.

15. The Budget Analyst notes that the Department's FY 2001-2002 budget also included an additional $62,087 of revenues from (1) the elimination of discounted fees for early submission of ballot arguments and (2) a ten percent increase in the ballot argument fees beginning with the March of 2002 election. However, the Department failed to submit the necessary legislation to adjust the fee structure by the March election, and to date, such legislation has still not been approved by the Board of Supervisors. As a result, the Department of Elections is continuing the unauthorized practice of offering discounts for ballot arguments, which subsidizes the costs of such paid arguments in the Voter Information Pamphlets, and will result in a revenue shortfall of $62,087 for the Department this fiscal year.

16. According to Mr. Minasian, in response to the direction of the Elections Commission, the proposed supplemental appropriation does not include any funds for recanvassing

of the 2000 elections. It should be noted that the Department had previously estimated that it would cost approximately $870,000 to conduct a full recanvassing of both the November and December of 2000 elections. Ms. Haygood advises that the Secretary of State has been working with the Department to negotiate an agreement with the Elections Commission and members of the Board of Supervisors to undertake a recanvassing of 21 precincts from the November of 2000 election that were previously canvassed by the State. According to Ms. Haygood, the State is preparing a proposed scope of work that would require a 3rd party, selected through a Request for Proposal (RFP) process, to supervise the recanvassing, with the DOE supplying the direct canvassing staff. Ms. Haygood reports that at the Finance Committee Meeting on March 20, 2002, Ms. Haygood would provide an estimate of additional costs that would be required to conduct such a recanvassing.

Recommendations: 1. Amend the proposed ordinance by reducing the proposed supplemental appropriation by $403,608 from $5,658,870 to $5,255,262 as follows:

	Comment No.	Requested Amount	Budget Analyst Recommendation	Savings
Temporary Salaries	2 & 3	$1,616,129	$1,339,544	$276,585
Annual Vacation Payoff		4,836	4,836	0
Overtime		521,593	521,593	0
Holiday Pay		24,687	24,687	0
Mandatory Fringe Benefits	2 & 3	280,241	237,887	42,354
Poll Worker and Polling Place Expenses		558,307	558,307	0
Professional and Specialized Services Contracts	6	226,641	176,641	50,000
Maintenance – Buildings & Improvements		3,279	3,279	0
Maintenance Equipment Contract		228,393	228,393	0
Rents & Leases – Bldgs. & Structures	7	47,157	32,488	14,669
Rents & Leases – Equipment		269,431	269,431	0
Other Current Expenses	9	861,159	841,159	20,000
Judgements – Legal Fees		11,652	11,652	0
Taxes, Licenses and Permits		1,347	1,347	0
Materials and Supplies		52,433	52,433	0
Equipment Loan Payment		374,767	374,767	0
Services of Other Departments		485,153	485,153	0
Interdepartmental Recoveries		91,665	91,665	0
Total		$5,658,870	$5,255,262	$403,608

2. Approval of (a) the requested $220,000 for three public relations contracts and one technical services contract, (b) the requested $115,000 for rental of vehicles (although the Department actually expended $185,000), (c) $1,347 for Taxes, Licenses and Permits and (d) $52,433 for Materials and Supplies is a policy matter for the Board of Supervisors.

3. Amend the proposed ordinance to provide retroactive approval of the subject request.

4. Approve the requested ordinance, as amended.

5. Request the Sheriff's Department to immediately meet with the Department of Elections, the Mayor's Budget Office and the Controller's Office, in consultation with the City Attorney's Office, regarding the requirements of Proposition E, to review the required Sheriff's security costs for elections in detail in order to eliminate the excessive costs that were incurred by the Sheriff Office for the March 5, 2002 election and to provide a more reasonable level of security for future elections.

COSTS OF DECEMBER, 2001, RUNOFF ELECTION

DESCRIPTION	AMOUNT
POLL WORKER FEES AND POLLING PLACE RENTS	410,661
DPT ENFORCEMENT SVCS ON DEC.11, 2001 (MEMORY PACK PICKUP)	19,889
TRAINER/INSPECTOR FOR THE DEC.11, 2001 ELECTION	5,850
TEMP AGENCY WORKERS	26,331
MANAGEMENT CONSULTING SERVICES	28,631
DATA PROCESSING SERVICES	5,226
VEHICLE RENTAL	6,740
LIGHT TOWER RENTAL	4,875
TENT RENTAL	10,275
RESTROOM RENTAL	11,548
MAILING SERVICES	59,717
VIP PRINTING	59,899
DECEMBER BALLOTS	147,723
POSTAGE FOR VIP AND BALLOTS	134,280
ADVERTISING	13,658
MATERIALS AND SUPPLIES	171,219
IS-CENTRAL SHOPS-AUTO MAINT	1,125
IS-CENTRAL SHOPS-FUEL STOCK	1,017
GF-MAIL SERVICES	2,312
IS-REPRODUCTION	3,292
IS-TIS-ISD SERVICES	42,300
MISCELLANEOUS NOT DETAILED	50,000
SUBTOTAL	1,216,569
TEMPORARY SALARIES/OVERTIME (ONE-THIRD OF ACTUAL THROUGH DEC)	731,265
TOTAL	1,947,834

DEPARTMENT OF ELECTIONS
REQUEST FOR SUPPLEMENTAL APPROPRIATION
DETAIL BY OBJECT OF EXPENDITURE

	Revised Budget - Reserves	Actuals To-Date	Unexpended Unreserved Balance	Projection through June 30	Surplus/ (Deficit)	Comments
001_001 PERMANENT SALARIES-MISC	1,405,144	460,507	944,637	401,419	543,218	See "Permanent Position Tracking" table
001_002 PERMANENT SALARIES-UNIFORM	0	9,074	-9,074	0	-9,074	
001_005 TEMP SALARIES-MISC	900,000	1,609,221	-709,221	1,441,052	-2,150,273	See "Temporary Salaries and Overtime" table
001_009 PREMIUM PAY	10,000	6,030	3,970	3,970	0	
001_010 ONE-TIME PAYMENTS	0	4,836	-4,836	0	-4,836	
001_011 OVERTIME	200,000	546,593	-346,593	175,000	-521,593	See "Temporary Salaries and Overtime" table
001_012 HOLIDAY PAY	0	19,687	-19,687	5,000	-24,687	
001 SALARIES	2,515,144	2,655,948	-140,804	2,026,441	-2,167,245	
013 MANDATORY FRINGE BENEFITS	437,717	360,160	77,557	357,798	-280,241	Based on salary projections
021_026 COURT FEES AND OTHER COMPENSATION	680,000	822,307	-142,307	416,000	-558,307	Poll worker fees and polling place rents
021_027 PROFESSIONAL & SPECIALIZED SERVICES	377,408	329,176	48,232	274,873	-226,641	See "Non-Salary Expenditure Projection" table
021_028 MAINTENANCE SVCS-BUILDING & STRUCTURES	0	3,279	-3,279	0	-3,279	See "Non-Salary Expenditure Projection" table
02931 OFFICE EQUIP MAINT	0	118	-118	0	-118	
02999 OTHER EQUIP MAINT	0	82,376	-82,376	145,900	-228,276	See "Non-Salary Expenditure Projection" table
021_029 MAINTENANCE SVCS-EQUIPMENT	0	82,494	-82,494	145,900	-228,394	
021_030 RENTS & LEASES-BUILDINGS & STRUCTURES	50,000	63,811	-13,811	33,346	-47,157	See "Non-Salary Expenditure Projection" table
03121 VEHICLE RENTAL	0	61,248	-61,248	117,200	-178,448	See "Non-Salary Expenditure Projection" table
03131 OFFICE MACHINE RENTAL	0	3,593	-3,593	0	-3,593	
03199 OTHER EQUIPMENT RENTALS	0	49,990	-49,990	37,400	-87,390	See "Non-Salary Expenditure Projection" table
021_031 RENTS & LEASES-EQUIPMENT	0	114,831	-114,831	154,600	-269,431	
03500 OTHER CURRENT EXPENSES - BUDGET	2,884,304	0	2,884,304		2,884,304	
03521 FREIGHT/DELIVERY	0	9,415	-9,415	5,000	-14,415	Based on average expenditures
03552 PRINTING	0	794,916	-794,916	2,107,500	-2,902,416	See "Non-Salary Expenditure Projection" table
03561 POSTAGE	0	570,857	-570,857	131,200	-702,057	See "Non-Salary Expenditure Projection" table
03581 ADVERTISING	0	18,467	-18,467	15,000	-33,467	Based on average expenditures
03599 OTHER CURRENT EXPENSES	-1,572	1,979	-3,551	89,000	-92,551	See "Non-Salary Expenditure Projection" table
021_035 OTHER CURRENT EXPENSES	2,887,767	1,398,926	1,488,841	2,350,000	-861,159	
021_052 TAXES, LICENSES & PERMITS	0	1,347	-1,347	0	-1,347	
021_053 JUDGMENTS & CLAIMS	0	11,652	-11,652	0	-11,652	Legal fees in investigation of wrongdoing
021 NON PERSONAL SERVICES	3,997,995	2,827,920	1,170,075	3,377,442	-2,207,367	
040_040 MATERIALS & SUPPLIES BUDGET ONLY	1,149,899	0	1,149,899		1,149,899	
04211 ELECTRICAL	0	16,388	-16,388	5,000	-21,388	Based on average expenditures
04221 HARDWARE	0	4,429	-4,429	5,000	-9,429	Based on average expenditures
04231 LIGHTING	0	5,456	-5,456	0	-5,456	
04241 LUMBER	0	1,299	-1,299	0	-1,299	
040_042 BUILDING & CONSTRUCTION SUPPLIES	0	27,572	-27,572	10,000	-37,572	

DEPARTMENT OF ELECTIONS
REQUEST FOR SUPPLEMENTAL APPROPRIATION
DETAIL BY OBJECT OF EXPENDITURE

	Revised Budget - Reserves	Actuals To-Date	Unexpended Unreserved Balance	Projection through June 30	Surplus/ (Deficit)	Comments
040_043 EQUIPMENT MAINTENANCE SUPPLIES	0	40	-40	0	-40	
040_045 SAFETY	1,260	5,688	-4,429	1,000	-5,429	Based on average expenditures
040_046 FOOD	0	7,601	-7,601	5,000	-12,601	Based on average expenditures
040_047 FUELS AND LUBRICANTS	0	5	-5	0	-5	
04921 DATA PROCESSING SUPPLIES	337	66,746	-66,409	5,000	-71,409	Based on average expenditures
04925 MINOR DATA PROCESSING EQUIPMENT	0	38,954	-38,954	0	-38,954	
04941 MINOR FURNISHINGS	11,269	0	11,269	0	11,269	
04951 OTHER OFFICE SUPPLIES	0	130,400	-130,400	55,000	-185,400	Based on average expenditures
04975 BOOKS - NON LIBRARY ONLY	0	29,050	-29,050	320,000	-349,050	See "Non-Salary Expenditure Projection" table
04999 OTHER MATERIALS & SUPPLIES	0	223,653	-223,653	289,488	-513,141	See "Non-Salary Expenditure Projection" table
040_049 OTHER MATERIALS & SUPPLIES	11,606	488,803	-477,197	669,488	-1,146,685	
040 MATERIALS & SUPPLIES	1,162,765	529,709	633,055	685,488	-52,433	
060 CAPITAL OUTLAY	245,387	245,154	233	375,000	-374,767	June, 2001, lease payment for voting system
081CB GF-MYR-INS & RISK REDUCTION(AAO)	14,000	2,666	11,334	0	11,334	Expenditures completed for year
081CZ TIS-SPECIAL PROJECTS (AAO)	2,336	1,168	1,168	1,363	-195	
081C5 IS-TIS-ISD SERVICES	114,362	84,601	29,761	35,000	-5,239	
081ET GF-TIS-TELEPHONE(AAO)	25,430	20,453	4,977	13,374	-8,397	
081H2 GF-HR-MGMT TRAINING	235	0	235	0	235	
081MY GF-MAYOR'S OFFICE SERVICES	3,000	0	3,000	0	3,000	
081M2 GF-MAYOR'S YOUTH WORKS	4,600	0	4,600	0	4,600	
081PA IS-PURCH-CENTRAL SHOPS-AUTO MAINT	10,000	5,627	4,373	5,000	-627	Based on average expenditures
081PF IS-PURCH-CENTRAL SHOPS-FUEL STOCK	6,000	5,084	916	3,000	-2,084	Based on average expenditures
081PK GF-PARKING & TRAFFIC	50,000	0	50,000	0	50,000	Paid through subobject 02799
081PM GF-PURCH-MAIL SERVICES	80,000	9,248	70,752	25,000	45,752	Based on average expenditures
081PR IS-PURCH-REPRODUCTION	50,000	13,166	36,834	20,000	16,834	Based on average expenditures
081SH GF-SHERIFF				710,366	-710,366	See information provided by Sheriff
081WB SR-DPW-BUILDING REPAIR	20,000	0	20,000	0	20,000	Repairs/custodial for 240 Van Ness, not yet paid
081WG SR-DPW-GENERAL ADMINISTRATION	90,000	0	90,000	0	90,000	DPW not used for ballot pickup and/or delivery
081_081 SERVICES OF OTHER DEPTS (AAO FUNDS)	469,963	142,013	327,950	813,103	-485,153	
081 SERVICES OF OTHER DEPTS	469,963	142,013	327,950	813,103	-485,153	
086_086 EXPEND RECOVERY FOR SVCS TO AAO FUNDS	-91,665	0	-91,665	0	-91,665	Health Service/Retirement elections not occurring
086 EXPENDITURE RECOVERY	-91,665	0	-91,665	0	-91,665	
TOTAL USES	8,737,306	6,760,904	1,976,401	7,635,271	-5,658,870	

DEPARTMENT OF ELECTIONS
City and County of San Francisco

TAMMY HAYGOOD
Director

March 11, 2002

To : Supervisor Chris Daly

From : Tammy Haygood
Director of Elections

Subject: Information regarding consultants hired for communications, outreach, and voter education

This is in response to your inquiry regarding communications specialists hired by the Department of Elections since the November election. The following is the information you have requested:

- **Contractual commitments.** Ironically, the article in the *San Francisco Chronicle* regarding my hiring of "communications specialists" is an example of poor communications. The Chronicle stated: "Since November, Haygood has hired four communications specialists from public relations firms, including Bill Strawn, former deputy press secretary for then-Mayor Dianne Feinstein, to help her answer questions from voters, candidates and the media." In fact, I have not actually hired two of the four consultants whom I introduced to the Chronicle reporter who wrote the article; they are working on a pro bono basis. I have requested their advice on a variety of communications, voter education, and outreach issues, and it has been very valuable. I have been soliciting such advice from many individuals throughout the public and private sectors at no cost to the City.

  The two consultants with whom I do have contractual commitments are working on an as-needed basis through March 31, 2002. Each is limited to a maximum of $50,000, although I am hoping to keep actual charges below that amount. The scope of services they are providing is described in the two attachments to this memo. In addition, I employed one communications consultant prior to the November election at a cost of $20,000.

- **Funding.** The FY 01-02 original budget for the Department of Elections was based on a variety of estimated costs for professional and other services, totaling $3.9 million for two elections. This amount included an estimate of $50,000 for voter outreach services. Of the $3.9 million, approximately $2.3 million has been expended or committed at this time for the November and December elections. As would be expected for a department that operates under such major uncertainties, some costs have exceeded last spring's estimates for the budget, and others are

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Supervisor Chris Daly
December 28, 2001
Page 2

below budget. My staff and I are preparing a detailed line-item analysis of our current and projected expenditures, which we will need to support the request for supplemental appropriation to be submitted in the next few weeks; however, I believe that the consulting services described above are both within my budgetary authority and defensible.

- **Question regarding "Deputy Director" position.** You have asked about a position that was added to the Department of Elections FY 00-01 budget by the Board of Supervisors. My understanding is that this position was a class 1376 Special Assistant XVII, and that this position was not included in either the reorganization plan or the FY 01-02 budget request submitted by the department to the Board of Supervisors last spring.

  I am further informed that the three "Deputy Director" positions in the FY 01-02 budget were in substitution for four "Division Manager" positions that existed in the FY 00-01 budget. These Deputy Director positions have not yet been classified by the Department of Human Resources; hence; their specific responsibilities have not been defined. Of these three positions, only one is currently filled, as an operations manager; this employee is not able to support the department's communications needs. The funding for one of the other two positions has been diverted to pay for the continued employment of the 1376 Special Assistant XVII referred to above, to whom I have not assigned communications responsibilities. The third Deputy Director position is vacant at this time.

- **Additional comments.** It has become very obvious that the Department of Elections needs to improve and broaden the effectiveness, clarity, form, and channels of its communications at all levels including to the general public, voters, City staff, media, and the Board of Supervisors. Apart from my own perspective, this need was recently expressed to me by the members of the Rules Committee. The department unfortunately no longer has the luxury of utilizing such an outstanding spokesperson as Chris Hayashi was last year, despite the fact that our needs for communications are as great as they were before, if not greater.

  I believe that I am not only justified in hiring consultants to address these critical needs, but that I would be negligent if I were not to devote resources to this area right now. The department's communications efforts will result over time in improved understanding by media, elected officials, and the public of both the election process and the department's operations. Such improved understanding is an essential ingredient to help break the pattern of reactively explaining the department's activities, a pattern that has been diverting far too many management resources.

Please let me know if you would like any further information on this matter.

c: Ed Harrington, Bill Lee

San Francisco Sheriff's Department

OVERVIEW OF ELECTION STAFFING AND PROCESS

PLEASE POST

The language of Proposition E is somewhat vague and open to interpretation. In an effort to better understand our impending role, we had staff observe the December 11th run-off election from the early morning hours until the following morning. We have also been meeting with Julia Moll of the City Attorney's office in an effort to determine our obligations under this provision. The applicable paragraph of Proposition E follows:

The text of the amendment to the City Charter reads:
"The Sheriff shall be responsible for preserving the security and integrity of elections in all matters including but not limited to transporting all ballots and all other documents or devices used to record votes from the polls to the central county location and providing security for the ballots until the certification of the election results. This requirement shall not become operative following its adoption until the Sheriff has completed meeting and conferring required by state law. The Director of Elections shall develop and submit for the approval of the Elections Commission an alternative security plan if an incumbent sheriff is running for election. The elections commission shall send a copy of the approved security plan to the Board of Supervisors."

Our primary focus is the security of the voted ballots, their transport from the polling places to the "central county location" (Pier 29), and their security until the Secretary of State certifies the election. Our other primary focus is the retrieval of the memory data packs from the polling places to the uplink sites where the information is downloaded to the server at the Department of Elections. Both the collection of the voted ballots and the retrieval of the memory packs from each one of the 655 precincts must take place simultaneously. The provisions of Proposition E specifically require these tasks.

Additionally, we must provide security to all the voted ballots during processing of the absentee ballots and provisional ballots; storage of voted ballots at Pier 29; transport of voted ballots to Brooks Hall for canvassing; continued security of ballots while at Brooks Hall (up to 29 days) and finally, escort of the voted ballots to secure, locked storage as obtained by the Department of Elections. This security also includes providing staff to open City Hall for longer hours; provide staff in the Department of Elections storage areas where some voted absentee ballots are kept; staff to insure the absentee voting area in the basement is secure and staff on Election Day and the days after to protect the public viewing areas.

Secondary concerns involve our security of unvoted absentee ballots and regular ballots prompted by the less specific language in the proposition *"The Sheriff shall be responsible for preserving the security and integrity of elections in all matters..."* The plan that follows is our best effort at crafting a practical security plan that attempts to address our mandated obligations.

1. **Brooks Hall Absentee Ballots:** Security for this process was specifically requested by the Department of Elections and the Sheriff's Department honored that request. Due to space constraints, the DOE must use Brooks Hall for the reception and assembly of absentee ballots prior to mailing them to the public. It is anticipated by the DOE that they will be using Brooks Hall for some type of ballots processing up to the day of the election. At that time the Hall will be used to store voted ballots as they are processed in preparation for canvassing.

OVERVIEW OF ELECTION STAFFING AND PROCESS

2. **FED Vehicle Security:** 100 cars for the Department of Election Field Election Deputies (not deputy sheriffs) will be parked in the Civic Center Garage beginning the evening before Election Day until they are picked up at approximately 0600 Hours on Election Day. These will be rental vehicles and will be packed with ballots and other equipment the FEDs will require in order to execute their duties.

3. **Sheriff's Command Post:** The Sheriff's Command Post will be located in Room 34 in the basement of City Hall adjacent to the Department of elections Operations Center. Deputies trained in tactical communications will be assigned as well as a Department Operations Center Commander.

4. **Mobile Support Unit Deputies:** During the morning and evening hours, we will have five teams of two deputies each who have been trained in poll procedure, uplink procedure and FED procedures, assigned to various areas of the City. They will be available to respond when directed by the Command Post. They may be necessary to respond to problems at the polls, pick up memory packs or assist in transferring ballots.

5. **Memory Pack Collection: (Memory Packs are small electronic devices that plug into the Eagle machines and record the votes.)** Sheriff's staff will utilize up to 130 parking control officers and 10 deputy sheriffs to collect data memory packs from 655 precincts. Sheriff's staff will work with DPT and the DOE to train and organize routes for each officer engaged in the collection of the packs.

6. **Uplink Site Security: (The Memory Packs are retrieved from each polling place and delivered to an uplink site where they are attached to an adapter and the information is sent to the server at City Hall via a modem connection.)** Deputy Sheriffs will provide security at eight Uplink Sites around the City. They will coordinate the PCOs assigned to each of their uplink sites as well as the collection and downloading of the memory packs.

7. **Precinct Security and Ballot Collection:** 100 deputy sheriffs will report midday to Pier 30/32 and be assigned to work as a team with civilian FED (Field Election Deputies) partners from the Department of Elections. (The FEDs will begin their day at 0600 Hours) They will muster and report to prearranged rendezvous sites, at staggered times, where their partner will pick them up. Since it is possible that some of the Eagle Boxes may fill up prior to the closing of the polling places, they may be required to pick up voted ballots and deliver them to the central county location (Pier 29). They will then work with their partners to close their assigned polls and deliver the red boxes to Pier 29. It is important to note that State law requires the presence of two or more people at all times when handling voted ballots.

8. **Pier 29 Security:** Pier 29 has been designated as the central county location for the collection of the ballots. Activity begins the night before the election in organizing and setting up the processing area as well as storing equipment required for the election. As ballots are collected from the precincts they will be delivered to this site to await processing. Some aspects of processing will begin immediately as the red boxes are opened and the contents are sorted. It is now anticipated that voted ballots will be present at this site until March 10th. The public will also have access to observe the processing of the ballots at this site. The Sheriff's Department is

responsible for the security of all ballots at this site. It should be noted that during the November election, a member of the press attempted to test the security a number of times. Our projected use of staff is based on our understanding of the planned activity level for Election Day.

9. **Brooks Hall- Security for Canvassing and until Certification:** Once the ballots are sorted at Pier 29 they will be moved to Brooks Hall. The Sheriff is responsible for providing security during this movement. Additionally, once the absentee and provisional ballots have been processed at City Hall, they will be moved to this site under our escort. Once all ballots are located here, the canvassing process will begin. This process is also open to the public. Due to the physical constraints of this area, we will require two deputy sheriffs for each shift until the canvassing ends. Once the canvassing ends, the ballots will continue to be stored at this location until certification of the election and arrangements are made by the DOE for their transport to a secure, locked storage facility.

10. **City Hall – Enhanced Security:** Deputy Sheriffs will provide security for extended hours at City Hall for voter registration, absentee voting and storage and processing of absentee ballots in the DOE area. In addition, the deputy sheriffs will be providing security as the public views the election process and will escort ballots as they are received from the printer, stored and voted upon at the absentee voting site located adjacent to the DOE office. The absentee ballots at this location consist of those stored for use by the absentee polling site and the voted absentee ballots. These will be stored and will be transferred to the DOE offices for processing prior to Election Day. Processing in this area will continue on Election Day and after. It is anticipated that increased security in this area will be required until March 15. Our staffing of security will be based on the activity level and our perceived need for security.

11. **Training SFSD Staff:** Deputy Sheriffs assigned to FED partners, uplink site security, memory pack collection, roving teams and some supervisors will require training provided by the Department of Elections. This will take place in the week prior to Election Day. It is anticipated that half of the training will take place on duty and the other half will require overtime. We hope to accomplish the transfer of required information in three hour blocks of training.

12. **Absentee Ballot Collection from Main Post Office:** Once absentee ballots are returned from voters, they become voted ballots. It appears clear under Proposition E that we are responsible for the security of these ballots. Beginning February 11th we will transport absentee ballots from Brooks Hall to the Main Post Office for mailing. It is anticipated that completed ballots could be received as early as February 13th. The Sheriff's will work with DOE employees to collect completed ballots from the Main Post Office and transport them to City Hall twice per day. We will use our Station Transfer Unit deputies to perform this duty from February 11th through March 5th.
This will be accomplished through the use of on-duty personnel.

13. **Delivery of Unvoted Ballots to Poll Inspectors:** There is concern that in order to ensure the chain of custody of the unvoted ballots as they are distributed to the polling place inspectors, deputy sheriffs should be present as security during this process. This distribution will take place via two methods: Delivery at Bill Graham the Saturday before election and delivery to the homes of specific inspectors on Sunday and Monday before the election.

14. Escort of Unvoted Ballots from 240 Van Ness to Brooks Hall (Bill Graham Auditorium): A deputy sheriff will escort the unvoted ballots from 240 Van Ness to the Bill Graham Auditorium for the process noted in #13. No additional staff required.

15. Ballot Collection/Cargo Trucks and Drivers: The Department of Elections has increased the number of teams that go out to assist in closing polling places and collecting red boxes (voted ballots) from each precinct. It is necessary to assign one deputy sheriff with each of the 22 Cargo vans and 15 drivers they will have available for this purpose.

16. Security for Dismantling of Eagle Boxes: Eagle Boxes are collected by DOE employees from the precincts in the four days following the election. After they collect them and deliver them to the Cor-o-van warehouse, they dismantle them. It is reported that 5% of the Eagle Boxes collected in the November 2001 election contained a small number of uncollected ballots. On the days following the election, the DOE will pick up the Eagle Boxes in the morning, take them to the Corovan warehouse and dismantle them in the afternoon. In order to ensure the security of any errant voted ballots that may be discovered in an Eagle Box, a deputy sheriff will be present during the inventory and dismantling of the Eagle Boxes to take custody of the ballot along with a DOE employee and ensure the ballot(s) are delivered to the collection point.

Additionally, at the request of the Department of Elections, we have had two deputy sheriffs stationed around the clock at Pier 29 providing security for the November /December 2000 ballots since November 22, 2001. The DOE has requested that they remain at this location until February 28th, 2002.

FY 2001-02 Hours	B/W	Straight	OT Hour	Straight	Overtime	Comp	Holiday	Straight $	OT $	Cost Total $
November & December										
8302 Deputy I	$1,948	$ 24.33	$ 36.49	10.00	20.50			243.25	747.99	991
8304 Deputy	$2,252	$ 28.15	$ 42.23	256.50	2,812.00	378.25	301.50	7,220.48	147,439.14	154,660
8306 Sr. Deputy	$2,496	$ 31.20	$ 46.80	105.00	801.00	118.25	27.50	3,276.00	44,307.90	47,584
8308 Sergeant	$2,752	$ 34.40	$ 51.60	93.00	195.75	140.75	14.00	3,190.20	18,085.80	21,285
8310 Lieutenant	$3,155	$ 39.44	$ 59.16		282.00	65.00		-	20,527.22	20,527
8312 Captain	$3,618	$ 45.23	$ 67.84	28.00	16.00			1,266.30	1,085.40	2,352
8314 Chief Deputy	$3,989	$ 49.86	$ 74.79	30.00				1,495.88	-	1,496
Total Hours				522.50	4,127.25	702.25	343.00	18,701.10	232,193.46	248,895
POST Pay						6.00%				1,002
Retirement (City Share)						5.430%				907
Retirement Pick-up (DSA)						9.00%				1,503
Medicare						1.45%				3,609
Unemployment Insurance						0.100%				249
Total Fringe Benefits										3,858
Subtotal Compensation										252,752
TOTAL										252,752
January & February	**B/W**	**Straight**	**OT Hour**							
8302 Deputy I	$1,986	$ 24.81	$ 37.22		9.00			-	334.97	335
8304 Deputy	$2,297	$ 28.71	$ 43.07		1,741.50	812.50	104.00	-	114,476.74	114,477
8306 Sr. Deputy	$2,545	$ 31.81	$ 47.72	8.50	279.26	51.50	16.00	270.41	16,546.48	16,817
8308 Sergeant	$2,806	$ 35.08	$ 52.61		52.00	7.50	8.00	-	3,551.34	3,551
8310 Lieutenant	$3,217	$ 40.21	$ 60.32		123.00	8.00	8.00	-	8,384.31	8,384
8312 Captain	$3,689	$ 46.11	$ 69.17					-	-	-
8314 Chief Deputy	$4,067	$ 50.84	$ 76.26					-	-	-
Total Hours				8.50	2,204.75	879.50	136.00	270.41	143,293.83	143,564
POST Pay						6.00%				16
Retirement (City Share)						5.430%				15
Retirement Pick-up (DSA)						9.00%				24
Medicare						1.45%				2,082
Unemployment Insurance						0.100%				144
Total Fringe Benefits										2,226
Subtotal Compensation										145,789
TOTAL										145,789
GRAND TOTAL						HOURS	8,923.75			$ 398,542

MARCH 5, 2002 ELECTION COSTS - SHERIFF	B/W	Detailed Hours	OT Hour	Detailed $	OT $	Total $
3. Sheriff's Command Post: Beginning in the early hours of March 5th and through the early hours of March 6th, the Sheriff's Department will have staff on actively engaged in providing security to the election process. At one point, it is anticipated that we will have over 150 deputies dispatched to various locations. It is essential that we have a command post that can direct and coordinate our operation with our staff as well as with the Department of Elections and the Department of Parking and Traffic. Command staff are necessary to direct all action from this central location. Management staff will work to ensure we keep accurate records for a future after action report. Deputy staff will be engaged in "tactical communications" and listing the location of all units at all times. The Command Post, located at the DOE Operation Center, will begin operating at the same time the Center is activated. Additional supervisory staff will be trained for the next election process to provide a broader base of knowledge.						-
ACTUAL						-
One 8314 Chief Deputy for one 12 hour shift		8	11	407	839	1,246
Two 8312 Captain for one 12 hour shift		16	25	738	1,729	2,467
One 8310 Lieutenant for each of two 12 hour shifts (0400-1600; 1600-0400)		13	15.5	523	935	1,458
One 8308 Sergeant for each of two 12 hour shifts (0400-1600; 1600-0400)		0	0	-	-	-
Three 8304 Deputy Sheriffs for each of two 12 hour shifts		49	16.5	1,407	711	2,118
						-
4. Department of Elections Operation Center: In order to ensure communication between our department and the Department of Elections, we will have a captain at the DOE Operations Center during its activation. It is anticipated that the activation could be for up to 24 hours. It is necessary to have a person of rank who can make decisions and ensure information is exchanged.						-
ACTUAL						-
We combined this with the Command Post Operations listed above		0	0			-
						-
5. Roving Deputies: During the morning and evening hours, we will have five teams of two deputies each who have been trained in poll procedure, uplink procedure and FED procedures assigned to various areas of the City. They will be available to respond when directed by the Command Post. They may be necessary to respond to problems at the polls, pick up memory packs or assist in transferring ballots.						-
ACTUAL						-

MARCH 5, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hour	OT Hour	Detailed $	OT $	Total $
One 8310 Sergeant as Tactical Cmdr.			8	9	281	474	754
One 8308 Sergeant for each of two 12 hour shifts (0400-1600; 1600-0400)			32	13.5	1,122	710	1,833
Two 8306 Senior Deputies for each of two 12 hour shifts			32	14	1,018	668	1,686
Eight 8304 Deputy Sheriffs for each of two 12 hour shifts			72	78.75	2,067	3,392	5,459
							-
6. Memory Pack Collection: The Sheriff's staff will utilize up to 130 parking control officers and 10 deputy sheriffs to collect data memory packs from 655 precincts. Sheriff's staff will work with DPT and the DOE to train and organize routes for each officer engaged in the collection of the packs. Deputy Sheriffs and parking control officers will work approximately four hours each while engaged in this activity.							-
ACTUAL							-
One 8308 Sergeant in Command			8		281	-	281
Two 8306 Deputy Sheriffs			16	2	509	95	604
Seven 8304 Deputy Sheriffs			56	6.75	1,608	291	1,899
7. Uplink Site Security: Deputy Sheriffs will provide security at eight Uplink Sites around the City. They will coordinate the PCOs assigned to each of their uplink sites as well as the collection and downloading of the memory packs.							-
ACTUAL							-
During the planningit became evident that we would require							-
two staff members at each uplink site to control the amount							-
of activity anticipated. We reduce the number of ballot collectors							-
collectors and increased the number of uplink deputies.							-
Seven 8306 Senior Deputies			56	10	1,782	477	2,259
Eight 8304 Deputy Sheriffs			64		1,838	-	1,838
							-
							-
8. Precinct Security and Ballot Collection: 100 deputy sheriffs will report at 1200 Hours to work as a team with FBD partners from the DOE. They will muster and report to prearranged rendezvous sites, at staggered times, where their partner will pick them up. Since it is possible that some of the Eagle Boxes may fill up prior to the closing of the polling places, they may be required to pick up voted ballots and deliver them to the central county location (Pier 29). They will then work with their partners to close their assigned polls and deliver the red boxes to Pier 29.							-

MARCH 5, 2002 ELECTION COSTS - SHERIFF	B/W	Detailed Hour	OT Hour	Detailed $	OT $	Total $
ACTUAL						-
Four 8308 Sergeants		32	25	1,122	1,315	2,438
Seven 8306 Senior Deputies		56	50.75	1,782	2,422	4,203
35 8304 Deputy Sheriffs		280	382	8,040	16,452	24,492
30 8302 Deputy Sheriffs (Probationary)		240	169	5,955	6,290	12,245
9. *See #8*						-
						-
10. Pier 29 Security: Pier 29 has been designated as the central county location for the collection of the ballots. Activity begins the night before the election in organizing and setting up the processing area as well as storing equipment required for the election. As ballots are collected from the precincts they will be delivered to this site to await processing. Some aspects of processing will begin immediately as the red boxes are opened and the contents are sorted. It is now anticipated that voted ballots will be present at this site until March 6th. The public will also have access to observe the processing of the ballots at this site. The Sheriff's Department is responsible for the security of all ballots at this site. It should be noted that during the November election, a member of the press attempted to test the security a number of times. Our projected use of staff is based on our understanding of the planned activity level for each day.						-
ACTUAL						-
One 8310 Lieutenant		8	4	161	-	161
One 8306 Senior Deputy		8	4	255	191	445
Five 8304 Deputy Sheriffs		42	28	1,206	1,206	2,412
						-
11. Brooks Hall- Security for Canvassing and until Certification: Once the ballots are sorted at Pier 29 they will be moved to Brooks Hall. The Sheriff is responsible for providing security during this movement. Additionally, once the absentee and provisional ballots have been processed at City Hall, they will be moved to this site under our escort. Once all ballots are located here, the canvassing process will begin. This process is also open to the public. Due to the physical constraints of this area, we will require two deputy sheriffs for each shift until the canvassing ends. Once the canvassing ends, the ballots will continue to be stored at this location until certification of the election and arrangements are made by the DOE for their transport to a secure, locked storage facility.						-

MARCH 6, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hours	OT Hour	Detailed $	OT $	Total $
Preparation and Canvassing beginning March 6th at 1500 Hours and ending at 1500 Hours on April 1st.							-
Two 8304 deputy sheriffs x 8 hours x 3 shifts x 26 days				1248		53,750	53,750
Security for ballots beginning April 1st at 1500 Hours and ending at 1500 Hours on April 15th							-
One 8304 deputy sheriff x 8hours x 3 shifts x 14 days				336		14,471	14,471
ACTUAL							-
As of March 11th, we are staffing this location per the proposal							-
budget proposal							-
							-
12. City Hall – Enhanced Security: Deputy Sheriffs will provide security for extended hours at City Hall for voter registration, absentee voting and storage and processing of absentee ballots in the DOE area. In addition, the deputy sheriffs will be providing security as the public views the election process and will escort ballots as they are received from the printer, stored and voted upon at the absentee voting site located adjacent to the DOE office. The absentee ballots at this location consist of those stored for use by the absentee polling site and the voted absentee ballots. These will be stored and will be transferred to the DOE offices for processing prior to Election Day. Processing in this area will continue on Election Day and after. It is anticipated that increased security in this area will be required until March 15. Our staffing of security will be based on the activity level and our perceived need for security. The best estimate follows:							-
ACTUAL - From Feb. 4th through March 4th							-
8310 Lieutenant				116.75		7,042	7,042
8308 Sergeant				109.5		5,761	5,761
8306 Sr. Deputy				203.75		9,723	9,723
8304 Deputy Sheriff			107	1030.75	3,072	44,393	47,465
							-
ACTUAL							-
The City Hall Security projection was based on our understanding from the DOE of what was needed. As we drew closer to Election Day, plans changed and we were asked to provide additional security based on the conversion of the basement to an Absentee Ballot counting area, the storage of ballots in physically divergent rooms, and the decision to do "remakes" in the light court. These additional tasks all added to our obligation to provide security coverage.							-

MARCH 5, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hours	OT Hours	Detailed $	OT $	Total $
ACTUAL ELECTION DAY							-
8200 Sheriff's Cadets Deducted 104 hours they are regularly assigned				32.5	-	711	711
8304 Deputy Sheriffs Deducted 96 hours they are regularly assigned			54.5	86	1,565	3,704	5,269
8306 Senior Deputy Deducted 16 hours they are regularly assigned			16	9.5	509	453	962
8308 Sergeants Deducted 8 hours he is regularly assigned			8	16	281	842	1,122
							-
							-
Post Election Day							-
Beginning March 6th at 0700 Hours and ending at 1500 Hours March 15th							-
Day Watch – Three 8304 deputy sheriffs							-
Swing Watch – Two 8304 deputy sheriffs							-
Midnight Watch – One 8304 deputy sheriff							-
Six 8304 deputy sheriffs x 8 hours x 9 days				432		18,606	18,606
							-
13. Training SFSD Staff: Deputy Sheriffs assigned to FBD partners, uplink site security, memory pack collection, roving teams and some supervisors will require training provided by the Department of Elections. This will take place in the two weeks prior to Election Day. It is anticipated that half of the training will take place on duty and the other half will require overtime. We hope to accomplish the transfer of required information in four hour blocks of training.							-
ACTUAL							-
149 deputies x 3 hours, 60 at straight time, 92 at overtime							-
Two 8310 Lieutenants				6	-	362	362
12 8308 Sergeants			27	9	947	474	1,421
14 8306 Senior Deputies			18	24	573	1,145	1,718
80 8304 Deputy Sheriffs			51	189	1,464	8,140	9,604
41 8302 Deputy Sheriffs (Probationary)			81	42	2,010	1,563	3,573
							-

Prepaid

MARCH 5, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hour	OT Hour	Detailed $	OT $	Total $
14. Absentee Ballot Collection from Main Post Office: Once absentee ballots are returned from voters, they become voted ballots. It appears clear under Proposition E that we are responsible for the security of these ballots. Beginning February 11th we will transport absentee ballots from Brooks Hall to the Main Post Office for mailing. It is anticipated that completed ballots could be received as early as February 13th. The Sheriff's will work with DOE employees to collect completed ballots from the Main Post Office and transport them to City Hall twice per day. We will use our Station Transfer Unit deputies to perform this duty from February 11th through March 5th. Additionally, we will be meeting with the Main Post Office to coordinate our collection of these ballots and insure security.							-
This will be accomplished through the use of on-duty personnel.							-
personnel.							-
ACTUAL							-
Began on February 19th, six days per week, two pickups per day until March 5th. Accomplished through the detail of STU deputies, Two deputies for four hours per day							-
							-
15. Delivery of Unvoted Ballots to Poll Inspectors: There is concern that in order to ensure the chain of custody of the unvoted ballots as they are distributed to the polling place inspectors, deputy sheriffs should be present as security during this process. This distribution will take place via two methods.							-
ACTUAL							-
The ballots were not ready for distribution and our deputies were asked to stand by. Due to the fact that the ballots were not ready for pickup when the inspectors arrived, many more had to be delivered than anticipated.							-
had to be delivered than originally anticipated.							-
8306 Sr. Deputy				46.75		2,231	2,231
8304 Deputy Sheriff				174.5		7,515	7,515
							-
16. Escort of Unvoted Ballots from 240 Van Ness to Brooks Hall(Bill Graham Auditorium): A deputy sheriff will escort the unvoted ballots from 240 Van Ness to the Bill Graham Auditorium for the process noted in #15. No additional staff required.							-
							-

MARCH 5, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hour	OT Hour	Detailed $	OT $	Total $
17. **Ballot Collection/Cargo Trucks and Drivers:** The Department of Election would like to increase the number of teams that go out to assist in closing polling places and collect red boxes (voted ballots) form each precinct. It is necessary to assign one deputy sheriff with each of the 22 Cargo vans and 15 drivers they will have available for this purpose.							-
ACTUAL							-
These numbers were reduced and staff shited to the							-
uplink site security and memory pack collection.							-
							-
Three 8306 Deputy Sheriffs			16	10.5	509	501	1,010
23 8304 Deputy Sheriffs			80	69.5	2,297	2,993	5,290
Two 8302 Deputy Sheriff			8	10	199	372	571
							-
18. **Security for Dismantling of Eagle Boxes:** Eagle Boxes are collected by DOB employees from the precincts in the four days following the election. As they collect them, they break them down. It is reported that 5% of the Eagle Boxes collected in the November 2001 election contained a small number of uncollected ballots. On the days following the election, the DOE will pick up the Eagle Boxes in the morning, take them to the Corovan warehouse and dismantle them in the afternoon. In order to ensure the security of any errant voted ballots that may be discovered in an Eagle Box, a deputy sheriff will be present during the inventory and dismantling of the Eagle Boxes to take custody of the ballot along with a DOB employee and ensure the ballot(s) are delivered to the collection point.							-
ACTUAL							-
DOE performed this activity beginning March 7th through March 12th			11	14	316	603	919
the 12th. One deputy sheriff was present for up to six hours							-
each day.							-
							-
19. ACTUAL - Addition to Original Proposal							-
As we got closer to the event, it became evident that we							-
required a staging area for all staff, vehicles, meeting place							-
for our staff and the DOE staff. We used Pier 30/32 for this							-
purpose and staged approx. 200 employees at this site. As well as 137 DOE							
employees. This							-
area served for parking, check-in for payroll, logistical							-
support and a check out area. Figures include set up the							-

Attachment IV

MARCH 5, 2002 ELECTION COSTS - SHERIFF		B/W	Detailed Hour	OT Hour		Detailed $	OT $	Total $
evening prior to Election Day.								-
Two 8310 Lieutenants (one per 12 hour shift)			16	2.5		643	151	794
One 8308 Sergeant			8			281	-	281
Two 8306 Senior Deputies			8	5		255	239	493
8304 Deputy Sheriffs			80	55.5		2,297	2,390	4,687
								-
								-
TOTAL HOURS & SALARY COSTS			1,709.50	5,941.00	##	$ 50,004	$ 262,556	$ 312,560
POST Pay	6.00%					3,000		3,000
Night Differential	9.50%							14,847
Retirement (City Share)	5.430%					2,715		2,715
Retirement Pick-up (DSA)	9.00%					4,500		4,500
Medicare	1.45%							4,532
Unemployment Insurance	0.100%							313
Total Fringe Benefits								29,907
Subtotal Compensation								342,467
Meals (250 * 2 * $10)								5,000
TOTAL ESTIMATED COSTS FOR MARCH 5 ELECTION			hours	7,650.50				$ 347,467
Additionally, at the request of the Department of Elections, we have had two deputy sheriffs stationed around the clock at Pier 29 providing security for the November /December 2000 ballots since November 22, 2001. The DOE has requested that they remain at this location until March 31, 2002. (March 6 - 31)								
2 8306 Sr. Deputies @ 8 hrs each per day				416			19,851	19,851
4 8304 Deputies @ 8 hrs each per day				832			35,833	35,833
Related Mandatory Fringe Benefits								3,508
ESTIMATED ADDITIONAL COST FOR NOV-DEC ELECTION (PIER 29)								$ 59,192

March 5th Election Rental Vehicle Pool Spread Sheet

CITY TAG #	LICENSE PLATE	Contract #	Vehicle #	MAKE	MODEL	DATE OUT	DATE IN	DAYS USED	MILEAGE OUT	MILEAGE IN	MILES TRAVELED	COST PER HOUR	COST PER DAY	COST WEEK	FINAL COST	INVOICE RECEIVED	Vendor	Recurring Cost	Comments/PARKING LOCATION	Charge Code
Carry Over Vehicles																				
255 M 004	45P5122	M25135471	190060	Dodge	Caravan	11/22/01	03/23/02	211	10,506	12,015	2,409	24.00	69.97	349.07	1755.67		Thrifty	1536.05	COUND QUACH	803010
233 M 202	45P0753	M25135346	103888	Kia	Optima	11/20/01	01/51/02	72	10,567	12,326	1,639	15.00	39.97	200.97	530.67		Thrifty	662.39	Mobin He	603009
235 M 202	45P0742	M25138952	103894	Kia	Optima	12/17/01	01/21/02	45	15,464	13,950	480	13.00	30.97	299.07	806.35		Thrifty	552.27	LULA JACKSON	803009
233 0 217	4UFV715	M25136177	250549	Dodge	Intrepid	12/03/01		-37230	240			14.00	39.97	199.97			Thrifty	461.3	LOUIS KND6	605006
Pre-Election Vehicles																				
253 M 201	6F73427	M25141894	296020	Dodge	Cargo	01/14/02	03/14/02	59	25,052	25,369	237	27.00	70.97	599.97	1996.17		Thrifty		Tony Chase	605010
255 M 203	4UFV617	M25142205	290105	Dodge	Caravan	01/17/02	03/13/02	55	2,331	3,796	1,477	24.00	79.97	399.97	1735.67		Thrifty		Mike Van Liede	
235 M 206	4U6X830	M33074468	220514	Chrysler	Sebring	01/17/02	03/12/02	54	2,691	3,311	820	14.00	39.97	399.97	667.74		Thrifty		Lula Jackson	605009
255 M 100	45KX564	M91342010	191571	Chrysler	T&C	01/17/02	03/12/02	54	19,325	20,249	634	20.00	79.97	599.97	1735.87		Thrifty		Mike Van Linde	605010
235 M 102	4U6X752	M23142399	250032	Dodge	Intrepid	01/16/02	03/08/02	49	5,951	5,024	1,075	14.00	39.97	199.07	994.27		Thrifty			
235 M 103	4UXX841	M25142348	230507	Chrysler	Sebring	01/16/02	03/13/02	34	3,230	8,051	4,621	14.00	29.97	299.07	667.87		Thrifty			
255 M 104	4UXX932	M25142392	0	Dodge	Caravan	01/16/02	03/11/02	52	2,372	4,299	827	24.00	79.97	399.97	1582.20		Thrifty		Allen DiMapasoc; Perrish Spls 3/1	605010
233 M 005	45P3959	M25143835	103012	Dodge	Stratus	01/29/02	03/11/02	41	13,961	25,286	1,327	14.00	59.97	199.97			Thrifty			
2330 009	43AT496	M25143844	103032	Dodge	Stratus	01/29/02	03/13/02	43	11,410	11,866	478	14.00	39.97	199.97	477.30		Thrifty			
235 M 007	4UFV804	M25142910	290108	Dodge	Caravan	01/29/02	03/11/02	41	6,379	7,464	1,105	24.00	79.97	599.97	667.93		Thrifty		Bobie Beeler	603009
253 0 006	4UFV840	M23143908	290816	Chrysler	Voyager	01/29/02	03/11/02	41	4,840	4,999	329	24.00	79.97	399.97	687.95		Thrifty		Fasial T. 3/4/02	
233 M 008	4UXX890	M23149416	290125	Dodge	Caravan	02/14/02		-37301	6,436		-8,436	24.00	69.97	399.97			Thrifty			
235 M 010	4TXD317	M25146429	193703	Dodge	Intrepid	02/14/02	03/06/02	22	8,743	13,596	2,623	14.00	39.97	199.97	1301.77		Thrifty			
235 0 011	45PU291	M25147329	250997	Dodge	Intrepid	02/19/02	03/21/02	20	6,489	7,085	596	14.00	39.97	199.97	650.90		Thrifty			
235 0 012	4UXX729	M25147516	250019	Dodge	Intrepid	02/19/02	03/21/02	20	6,016	6,220	204	14.00	29.97	199.97	630.90		Thrifty			
253 M 013	4UXX741	M25147338	230590	Dodge	Intrepid	02/19/02	03/09/02	17	6,269	8,531	345	14.00	29.97	199.97	607.40		Thrifty		Jeremy Echstine	
233 6 014	4M49192	M23143989	186002	Dodge	Cargo Van	02/11/02	03/07/02	24	12,973	12,097	224	24.00	79.97	399.97	1940.22		Thrifty			
Commissioner cars																				
235 0 015	4UFV843	M25130290	230044	Dodge	Intrepid	05/01/02	03/13/02	12	7,763	7,915	152	13.00	36.97	189.97	413.23		Thrifty		Racheal	
235 0 016	4UXX778	M23130296	230095	Dodge	Intrepid	03/01/02		-57316	9,240		-9,240	13.00	38.97	189.07			Thrifty		Racheal	
255 6 017	4TXD103	M25130301	230324	Dodge	Intrepid	03/01/07	03/13/02	12	9,000	9,001	1	13.00	39.97	189.97	413.23		Thrifty		Racheal	
Cargo Vans																				
335 0 020	6694487	M23147188	296106	Dodge	Cargo Van	02/16/02	05/09/02	16	8,316	9,683	295	27.00	79.97	399.94	1301.77		Thrifty			605010
233 M 621	9K11420	M23147123	396023	Dodge	Cargo Van	02/18/02	03/06/03	18	28,190	28,239	167	27.00	79.97	399.94	1301.77		Thrifty			605010
253 6 622	9F73425	M25147133	298075	Dodge	Cargo Van	02/16/02	03/06/02	16	57,672	28,136	289	27.00	79.97	390.94	1334.99		Thrifty			605010
233 M 023	6F73372	M23147144	296027	Dodge	Cargo Van	02/16/02	03/09/02	19	21,932	52,493	531	27.00	79.97	399.94	1447.26		Thrifty			803010
233 0 024	4TPD390	M73147160	299103	Dodge	Cargo Van	02/18/02	03/04/02	14	4,721	4,800	79	27.00	79.97	399.94	897.93		Thrifty			603010
233 0 023	4TPD191	M25147111	296102	Dodge	Cargo Van	02/18/02	03/08/02	16	4,237	4,363	126	27.00	79.97	399.94	1301.77		Thrifty			605010
233 0 026	9F73429	M25147122	296073	Dodge	Cargo Van	02/18/02	03/08/02	18	35,277	35,308	331	37.00	79.97	299.94	1301.77		Thrifty			605010
255 0 027	9M77939	M23147645	396002	Dodge	Cargo Van	02/16/02	03/08/02	18	23,070	33,225	155	27.00	79.97	399.94	1301.77		Thrifty			605010
235 0 029	9W11376	M73147271	299018	Dodge	Cargo Van	02/16/02	03/08/02	18	34,470	34,741	271	27.00	79.97	399.94	1213.00		Thrifty			605010
233 0 029	6F73433	M73147210	299012	Dodge	Cargo Van	07/18/02	03/11/02	21	34,355	24,319	161	27.00	79.97	399.94	1301.90		Thrifty			803010
233 6 030	6694898	M23147048	299103	Dodge	Cargo Van	02/18/02	03/08/02	18	6,862	7,137	295	27.00	79.97	389.94	1301.77		Thrifty			603010
233 0 031	9F73437	M25147676	299019	Dodge	Cargo Van	02/16/02	03/11/02	21	29,161	29,494	333	37.00	79.07	299.94	1454.75		Thrifty			605010
253 M 632	9F75438	M25147036	299630	Dodge	Cargo Van	02/16/02	03/06/02	16	28,420	56,524	104	27.00	79.97	599.04	1301.77		Thrifty			605010
235 0 633	6F73421	M73147067	299032	Dodge	Cargo Van	02/16/02	03/06/02	16	24,671	24,864	193	27.00	70.97	290.94	1201.77		Thrifty			605010
235 0 034	6F75431	M25147319	296033	Dodge	Cargo Van	02/16/02	03/22/02	32	51,316	31,986	570	27.00	79.97	599.94	2388.67		Thrifty			603010
235 0 033	4TPD189	M23147089	349101	Dodge	Cargo Van	62/16/02	03/08/02	18	3,386	2,917	529	27.00	79.97	399.94	1301.77		Thrifty			805010
235 0 036	46D2299	M23147394	195703	Dodge	Cargo Van	02/18/02		-57305	12,024		-12,024	27.00	70.97	599.04			Thrifty			603010
255 0 637	40JM892	M25147142	193710	Dodge	Cargo Van	02/16/02	03/08/02	16	18,039	16,550	511	37.00	79.97	399.94	2350.76		Thrifty			605010
233 0 038	40JP193	M23147333	191708	Dodge	Cargo Van	02/16/02	03/09/02	16	13,840	16,233	589	27.00	79.97	399.94	2281.08		Thrifty			605010
335 0 039	41PD392	M75147396	293301	Dodge	Cargo Van	02/16/02	03/08/02	18	7,706	8,251	545	27.00	79.97	299.94	1213.00		Thrifty			603010
233 0 040	4TXD318	M25147331	293320	Dodge	Cargo Van	02/16/02	03/08/02	18	7,499	7,765	298	27.00	79.97	399.94	1264.47		Thrifty			605010
233 6 041	4TXD313	M23147375	293323	Dodge	Cargo Van	02/18/02	01/12/02	22	10,149	10,830	681	27.00	79.97	399.94	1288.97		Thrifty			605010
Box Trucks																				
233 M 300	6G21713	M73147843	299304	Isuzu	Box Truck	01/22/02	02/08/02	17	24,234	24,299	55	20.00	139.07	799.97	2343.40		Thrifty		Pier 20 Tony Chase	803010
233 M 301	6G21766	M73142932	299562	Isuzu	Box Truck	01/22/02	03/11/02	48	29,381	29,948	267	20.00	139.39	799.97	2903.90		Thrifty			
253 M 302	9G21712	M23147234	299564	Isuzu	Box Truck	01/28/02	03/11/02	42	24,600	24,943	43	20.00	139.39	799.97	2903.90		Thrifty			
255 6 282	9G21713	M25147276	299309	Isuzu	Box Truck	01/26/02	03/07/02	28	52,702	32,740	38	20.00	139.39	799.97	2321.74		Thrifty			

255 R 104	9G21703	N25147265	299501	Isuzu	Box Truck	01/38/03	02/14/03	45	38,357	38,490	123	30.00	129.39	799.97	2059.50		Thrifty			
155 R 205	6011716	N25147287	299509	Isuzu	Box Truck	01/29/02	02/11/01	41	25,147	25,412	69	20.00	139.19	799.97	1602.90		Thrifty			
255 R 206	6G11714	N25147298	299505	Isuzu	Box Truck	01/29/01	02/11/02	43	39,125	29,994	259	10.00	119.29	799.97	2901.90		Thrifty			
355 R 107	6G11705	N25147309	399511	Isuzu	Box Truck	01/36/01	02/07/03	16	37,194	37,206	44	30.00	129.39	799.97	3242.40		Thrifty			
155 R 208	9031709	N25149179	599512	Isuzu	Box Truck	01/35/03	03/09/03	9	39,575	39,598	13	30.00	139.39	799.97	1139.51		Thrifty			
255 R 209	6G21711	N25149157	399503	Isuzu	Box Truck	02/25/03		-27212	29,951		-28,952	20.00	119.29	799.97			Thrifty			
255 R 216	6031704	N25149168	399510	Isuzu	Box Truck	03/35/03	02/07/02	10	25,334	35,372	36	30.00	119.29	799.97	1475.44		Thrifty			
255 R 1t1	6G31707	N25149188	299507	Isuzu	Box Truck	02/35/02	01/07/03	10	29,952	29,952	0	20.00	129.39	799.97	1475 44		Thrifty			
Fed Vans																				
1	4SXX405	N25148607	191579	Chrysler	Town & Country	03/31/03	02/07/03	14	20,993	21,084	132	34.00	79.97	399.97	867.93		Thrifty			
2	4SAU642	N25148145	191062	Chrysler	Grand Caravan	02/30/02	02/07/02	15	32,350	31,253	103	24.00	79.97	399.97	954.70		Thrifty			
2	49AU531	N25148420	191070	Dodge	Grand Caravan	02/21/02	01/07/02	14	34,548	24,613	64	24.00	79.97	299.97	954.70		Thrifty			
4	4SAU521	N25147716	190047	Dodge	Caravan	03/19/02	01/06/03	15	30,250	20,471	131	34.00	79.97	399.97	1009.76		Thrifty			
5	4UXX919	N25148308	290932	Chrysler	Voyager	02/20/03	02/07/03	15	4,567	4,673	106	24.00	79.97	299.97	954.70		Thrifty			
6	4SPT795	N25148288	391527	Chrysler	Town & Country	03/30/03	02/09/02	14	13,311	13,405	91	24.00	79.97	299.97	949.05		Thrifty			
7	4SAU947	N25148585	191076	Dodge	Grand Caravan	02/21/02	01/07/03	14	21,570	21,696	96	24.00	79.97	299.97	667.93		Thrifty			
8	4UFV825	N25148266	290905	Chrysler	Voyager	03/20/02	01/07/02	15	5,009	5,152	144	24.00	79.97	399.97	954.70		Thrifty			
9	4TXD516	N25148198	395217	Dodge	15-Pax	02/20/02	02/07/01	15	7,122	7,330	97	24.00	79.97	299.97	1041.47		Thrifty			
10	4SRW676	N25147650	190514	Chrysler	Voyager	02/19/02	01/09/03	15	19,869	19,941	72	24.00	79.97	399.97	1023.63		Thrifty			
11	4RJR996	N25148189	195715	Chrysler	Voyager	02/02/02	01/07/02	22	12,905	12,990	65	24.00	79.97	399.97	1041.47		Thrifty			
13	4TXD521	N25148398	295326	Dodge	15-pax	01/21/03	01/07/01	14	5,440	5,440	0	24.00	79.97	299.97	954.70		Thrifty			
11	4TXD507	N25148079	395216	Dodge	15-pax	02/30/03	01/07/03	15	6,519	6,600	81	34.00	79.97	599.97	1041.47		Thrifty			
14	4TXD511	N25148453	295211	Dodge	15-pax	02/31/03	02/09/02	15	5,833	5,925	102	24.00	79.97	299.97	1041.47		Thrifty			
15	4RJP915	N25148409	195712	Dodge	15-PAX	02/21/02	02/07/03	14	17,460	17,575	115	24.00	79.97	299.97	954.70		Thrifty			
16	4RWE946	N25148673	192502	Dodge	8-Pax	03/21/03	02/07/03	14	19,619	19,701	63	54.00	79.97	399.97	920.01		Thrifty			
17	4UXX892	N25148123	390110	Dodge	Caravan	02/20/01	02/07/03	15	4,747	4,826	79	54.00	79.97	399.97	954.70		Thrifty			
18	4UXX900	N35148638	390823	Chrysler	Voyager	01/31/03	01/07/02	14	9,340	9,191	691	24.00	79.97	399.97	897.93		Thrifty			
19	4UX9914	N25147870	390115	Chrysler	Voyager	01/20/03	02/06/01	14	4,784	4,640	66	34.00	79.97	399.97	954.70		Thrifty			
30	4TPD196	N25148222	395205	Dodge	Caravan	01/19/02	02/07/01	16	8,141	6,531	380	34.00	79.97	199.97	1041.47		Thrifty			
31	4RJP616	N25148376	195713	Dodge	15-pax	03/21/03	03/06/03	15	15,717	15,796	81	34.00	79.97	299.97	1041.47		Thrifty			
32	4TXD524	N25148134	385211	Dodge	15-pax	03/20/01	01/07/02	15	7,696	7,949	53	34.00	79.97	199.97	1041.47		Thrifty			
21	4UFV816	N25148255	290116	Dodge	Caravan	02/30/03	02/07/03	15	6,379	8,290	111	54.00	79.97	299.97	954.70		Thrifty			
24	4UFV709	N25148200	295214	Chrysler	Voyager	01/03/03	01/07/03	23	2,994	2,994	0	24.00	79.97	399.97	1041.47		Thrifty			
25	4UXX997	N25149377	290917	Chrysler	Voyager	03/35/03	01/09/02	9	6,737	6,637	110	24.00	79.97	299.97	994.37		Thrifty			
36	4SPT549	N25149399	291521	Chrysler	Town & Country	01/35/02	01/07/02	10	9,698	9,600	102	34.00	79.97	399.97	994.37		Thrifty			
27	4UXX916	N25147914	390127	Dodge	Caravan	01/30/02	02/07/03	15	4,599	4,719	120	24.00	79.97	289.97	1041.47		Thrifty			
38	4SPT764	N25147463	291523	Chrysler	Town & Country	02/19/02	02/08/02	17	17,649	17,922	82	24.00	79.97	399.97	1315.00		Thrifty			
39	4UXX992	N25148596	290121	Dodge	Caravan	02/31/02	03/07/03	14	7,759	7,954	95	24.00	79.97	299.97	867.92		Thrifty			
30	4UXX903	N25148618	290937	Chrysler	Voyager	03/21/03	02/06/05	13	4,190	4,313	122	54.00	79.97	399.97	667.93		Thrifty			
21	4UXX901	N25147868	290614	Chrysler	Voyager	03/03/03	02/07/03	22	4,996	5,076	80	24.00	79.97	299.97	1041.47		Thrifty			
21	TEMP	N25148431	290144	Dodge	Caravan	01/31/02	02/07/02	14	10	10	0	34.00	79.97	299.97	954.70		Thrifty			
22	4SAP921	N25148244	190526	Chrysler	Voyager	03/20/03	02/07/02	15	15,801	15,912	109	24.00	79.97	299.97	954.70		Thrifty			
24	TEMP	N25148475	290145	Dodge	Caravan	03/21/03	02/07/02	14	10	90	80	24.00	79.97	299.97	954.70		Thrifty			
25	4UFV610	N25147738	290120	Dodge	Caravan	03/19/03	02/07/03	16	4,276	4,262	86	24.00	79.97	299.97	1128.24		Thrifty			
26	4UFV809	N61551327	390113	Dodge	Caravan	02/21/02	03/07/02	14	7,632	7,712	60	34.00	79.97	299.97	997.92		Thrifty			
27	4UXX925	N25147507	290915	Chrysler	Voyager	02/19/02	02/06/02	15	4,255	4,442	68	24.00	79.97	299.97	1041.47		Thrifty			
26	4UFV820	N25148574	290121	Dodge	Caravan	02/21/03	02/07/03	14	7,120	7,222	112	24.00	79.97	299.97	867.92		Thrifty			
29	4UXX917	N25147573	290140	Dodge	Caravan	03/19/02	02/06/02	15	3,951	4,016	65	24.00	79.97	399.97	1041.47		Thrifty			
40	4SPT766	N251478959	291516	Chrysler	Town & Country	03/20/02	03/09/03	14	14,441	14,530	69	24.00	79.97	399.97	954.70		Thrifty			
41	4SAU644	N25147672	191062	Chrysler	Voyager	02/19/03	01/09/03	15	33,815	23,670	55	34.00	79.97	396.97	1041.47		Thrifty			
43	4UXX918	N25147694	290141	Dodge	Caravan	03/19/02	05/07/02	16	4,935	5,019	94	34.00	79.97	299.97	1092.55		Thrifty			
43	4UFV602	N25149344	390109	Dodge	Caravan	02/25/02	02/07/03	10	5,141	5,241	100	34.00	79.97	299.97	746.35		Thrifty			
44	4UXX920		290122	Dodge	Caravan	02/19/03	02/07/03	16	4,917	5,030	103	24.00	79.97	399.97	1041.47					
45	4UFV812	N25148651	290902	Chrysler	Voyager	02/31/03	02/07/02	14	7,490	7,627	147	24.00	79.97	399.97	667.92		Thrifty			
46	4UFV921	N25147496	290609	Chrysler	Voyager	02/19/03	02/07/02	16	5,296	5,275	107	24.00	79.97	299.97	1119.59		Thrifty			
47	4UFV833	N25147584	290133	Chrysler	Voyager	02/19/02	01/09/02	15	6,695	6,644	179	34.00	79.97	299.97	1041.47		Thrifty			
48	4UXX999	N25147648	290630	Chrysler	Voyager	03/19/02	03/06/03	15	2,655	3,996	111	34.00	79.97	299.97	1041.47		Thrifty			
49	4UFV915	N25148277	390612	Chrysler	Voyager	02/20/02	02/09/03	14	7,262	7,490	77	24.00	79.97	299.97	667.92		Thrifty			
50	4UFV812	N25147474	290115	Dodge	Caravan	03/19/03	02/06/03	15	6,761	8,661	60	24.00	79.97	399.97	1041.47		Thrifty			
51	4UFV810	N25147595	390101	Dodge	Caravan	03/19/05	03/06/03	15	6,924	9,051	117	24.00	79.97	399.97	1041.47		Thrifty			
53	4SFH229	N25148387	195706	Dodge	15-pax	03/21/02	03/07/03	14	9,554	9,634	70	34.00	79.97	299.97	954.70		Thrifty			
52	4UFV806	N25147485	290110	Dodge	Caravan	03/19/02	02/06/03	15	6,746	8,841	92	24.00	79.97	299.97	1022.62		Thrifty			

54	45PU041	N25147417	291050	Grand	Caravan	07/19/02	03/07/02	39	11,455	11,507	52	24.00	79.97	399.97	1125.24		Thrifty			
55	45AP914	N25147705	191570	Chrysler	Town & Cnnntry	02/19/02	03/07/02	39	25,307	25,374	97	24.00	79.97	299.57	1061.47		Thrifty			
56	4UFV925	N25149442	290512	Chrysler	Voyagar	02/21/02	02/05/02	12	5,202	5,402	99	24.00	79.97	399.97	597.92		Thrifty			
57	45AP925	N15147925	190522	Chrysler	Voyager	02/20/02	03/07/02	15	15,211	15,157	55	24.00	79.97	299.97	1041.47		Thrifty			
58	4UFV821	N15146629	290122	Dodge	Caravan	02/23/02	03/05/02	12	4,725	4,517	82	24.00	79.97	299.97	597.92		Thrifty			
59	4UFV801	N25147606	280105	Dodge	Caravan	02/18/02	03/07/02	15	9,724	8,777	53	24.00	79.97	298.97	1125.24		Thrifty			
50	4UFV515	N25147750	290119	Dodge	Caravan	01/19/02	02/05/02	15	5,728	5,790	52	24.00	79.97	299.97	2041.47		Thrifty			
51	4UXX694	N25149057	290125	Dodge	Caravan	02/20/02	02/07/02	15	10,117	10,249	132	24.00	79.97	299.97	3041.47					
52	4UXX995	N25149750	280142	Dodge	Caraven	02/22/02	02/07/02	13	5,729	5,211	572	24.00	79.97	299.97	557.92		Thrifty			
63	T9MP	N25145751	280131	Dodge	Caravan	02/22/02	02/06/02	18	10	60	50	24.00	79.97	299.97	954.70		Thrifty			
64	45XX555	N25145772	191599	Chrysler	Town & Conntry	02/22/02	02/06/02	12	21,990	22,592	1,572	24.00	79.97	399.97	557.92		Thrifty			
55	45A0068	N15145746	191574	Chrysler	Town & Conntry	02/22/02	02/05/02	12	20,415	20,482	54	24.00	79.97	299.97	557.92		Thrifty			
65	4UFV532	N25149212	290510	Chrysler	Voyagar	02/25/02	03/07/02	10	8,525	8,592	57	24.00	79.97	299.97	751.04		Thrifty			
67	4UXX912	N25149224	290129	Dodge	Caravan	02/25/02	02/05/02	11	5,500	5,560	50	24.00	79.97	299.97	557.50		Thrifty			
65	45XX595	N91552576	191572	Chrysler	Tawn & Country	02/25/02	02/05/02	8	20,425	20,490	54	24.00	79.97	299.97	694.27		Thrifty			
69	4UFV607	N73149223	290111	Dodge	Caravan	02/25/02	03/07/02	10	7,370	5,002	532	24.00	79.97	299.97	772.29		Thrifty			
70	45PV150	N25149255	191090	Dodge	Grand Caraven	02/25/02	03/05/02	8	9,525	9,581	52	24.00	79.97	399.97	594.27		Thrifty			
71	45XX595	N15149257	191572	Chrysler	Tawn & Conntry	02/25/02	02/05/02	9	19,505	19,674	59	24.00	79.97	399.97	594.27		Thrifty			
72	TEMP	N25149245	290147	Dodge	Caravan	02/25/02	02/07/02	30	19	112	92	24.00	75.97	399.97	751.04		Thrifty			
72	T8MP	N25149190	290160	Dodge	Caravan	07/25/02	02/07/02	10	18	51	52	24.00	79.57	296.07	751.04		Thrifty			
74	4UXX891	N25149232	290125	Dodge	Caravan	02/25/02	02/05/02	9	9,712	9,744	51	24.00	70.97	290.97	964.27		Thrifty			
75	45AU948	N25148353	191065	Dodge	Oreed Caravan	02/21/02	03/05/02	13	22,095	22,155	52	24.00	79.97	299.97	557.92		Thrifty			
79	4UXX915	N75147951	290125	Dodge	Caraven	02/19/02	02/06/01	15	5,915	5,990	74	24.00	79.97	299.97	1041.47		Thrifty			
77	45AU527	N25147989	191071	Dodge	Graed Caraven	01/20/01	02/06/02	14	18,257	15,225	65	24.00	79.97	299.97	954.70		Thrifty			
79	4UXX810	N25149525	290525	Chrysler	Voyager	07/21/02	03/05/02	12	5,411	5,519	105	24.00	79.97	299.97	557.93		Thrifty			
79	4UXX831	N25146222	290133	Chrysler	Vayager	02/20/02	03/05/02	14	4,217	6,368	71	24.00	79.97	299.97	557.93		Thrifty			
95	05AR599	N15147746	191576	Chrysler	Towa & Country	02/29/02	02/05/02	15	22,482	22,521	29	24.00	79.97	299.97	954.70		Thrifty			
81	45AU845	N25149310	191084	Dodge	Grand Caraven	02/20/02	03/05/02	14	17,716	17,809	93	24.00	79.97	399.97	954.70		Thrifty			
82	4UFV815	N75149640	290608	Chrysler	Voyagar	02/21/02	02/07/02	14	7,500	10,390	2,990	24.00	79.97	399.97	557.92		Thrifty			
93	4UFV815	N15147693	290102	Dodge	Caravan	02/19/02	02/06/02	15	5,109	6,157	75	24.00	79.97	299.97	1041.47		Thrifty			
54	4UXX895	N15146540	290139	Dodge	Caravan	02/19/07	02/07/02	16	5,245	5,289	54	24.00	79.97	299.97	1129.24		Thrifty			
95	4UFV619	N25147903	290515	Chrysler	Voyager	02/02/02	01/07/01	32	2,552	2,931	58	24.00	79.97	299.97	1041.47		Thrifty			
99	46RW877	N15147771	190539	Chrysler	Voyager	02/19/02	03/07/02	15	17,262	17,440	77	24.00	79.97	299.97	1129.24		Thrifty			
97	4UFV911	N75149415	290114	Dodge	Caravan	02/21/02	02/05/02	12	5,275	5,422	42	24.00	79.97	399.97	597.92		Thrifty			
99	4UFV939	N25147758	290514	Chrysler	Voyagar	01/19/02	03/06/02	15	5,229	6,399	70	24.00	75.97	399.97	1041.47		Thrifty			
99	4UFV905	N25149199	290109	Dodge	Caravan	02/20/02	02/06/02	14	7,275	7,457	51	24.00	79.97	299.97	507.92		Thrifty			
99	46AX990	N26149795	191097	Dodge	Graed Caravan	02/26/02	02/06/02	8	21,727	21,507	70	24.00	79.97	399.97	520.73		Thrifty			
61	45PU114	N15149493	291054	Dodge	Orand Caravan	02/25/02	02/07/02	10	9,012	9,047	35	24.00	79.97	399.97	594.27		Thrifty			
62	4UXX917	N15149794	290615	Chrysler	Voyagar	02/19/02	03/07/02	9	5,395	6,255	59	24.00	79.97	299.97	594.27		Thrifty			
92	45PU019	N15149405	291091	Dodge	Caravan	02/75/02	03/07/02	10	5,504	5,593	79	24.00	79.97	299.97	694.27		Thrifty			
94	4UXX914	N25149806	290621	Chrysler	Voyagar	02/16/02	03/07/02	9	5,500	5,401	92	24.00	79.97	299.97	907.50		Thrifty			
65	45P5498	N25149454	191074	Dodge	Orand Caravan	02/23/02	03/05/02	9	19,754	21,234	2,550	24.00	79.97	299.97	594.27		Thrifty			
99	4VXW959	N15149496	190154	Dodge	Caravan	02/25/02	02/07/01	10	10	55	79	24.00	79.97	299.97	594.27		Thrifty			
97	4UFV929	N15149487	190502	Chrysler	Voyagar	02/15/01	03/07/02	10	5,750	5,810	70	24.00	79.97	299.97	594.27		Thrifty			
69	99MP	N15148895	290148	Dodge	Caravan	01/25/02	03/05/01	5	464	513	89	24.00	79.97	299.97	507.50		Thrifty			
68	4VXW815	N15148816	290193	Dodge	Caravan	01/26/01	03/07/02	9	10	51	71	24.00	79.97	399.97	507.50		Thrifty			
105	4UFV813	N15149917	290104	Dodge	Caravan	02/74/02	03/07/02	9	5,355	6,234	78	24.00	79.97	299.97	607.50		Thrifty			
151	45PU019	N25149475	291055	Dodge	Caravan	02/25/02	03/05/02	9	10,501	10.511	5	24.00	79.97	296.07	607.50		Thrifty			
Election Support Vehicles																				
255 R 550	4TPD370	N13149378	257052	Dodge	Ourange	02/26/02	02/05/02	10	16,852	15,089	227	26.00	75.97	299.97	751.04		Thrifty			
253 R 051	4TPD353	N15149952	257072	Dodge	Duraega	02/25/01	02/05/02	10	12,499	32,575	79	24.00	79.97	299.97	751.04		Thrifty			
135 0 053	4TO80f2	N15f44589	288211	Mitsubishi	Meotara	02/29/01	02/09/02	30	5,251	5,521	250	24.00	79.07	299.97	751.04		Thrifty			
255 0 054	4TPD391	N15149153	257061	Dodge	Onraega	01/26/02	02/09/02	10	9,242	9,752	441	24.00	79.97	299.97	751.04		Thrifty			
255 0 055	4TPD441	N15149841	257055	Dodge	Ourange	02/26/02	02/06/02	10	15,520	15,707	57	24.00	79.97	299.97	751.04		Thrifty			
255 0 559	4TPD445	N15148594	257072	Dodge	Ouraege	02/26/02	02/05/02	10	9,714	9,527	112	24.00	79.97	299.97	751.04		Thrifty			
255 0 060	4TPD362	N61553032	257062	Dodge	Onraege	02/25/02	02/05/02	10	10,116	10,243	127	26.00	79.97	399.97	751.04		Thrifty			
255 0 561	4TPD355	N25149620	257034	Dodge	Onranga	02/25/01	03/09/02	10	9,517	5,810	203	26.00	79.97	399.97	751.04		Thrifty			
155 5 551	4TO8014	N15149695	298204	Mitsubishi	Meotara	02/25/02	03/09/02	10	7,052	7,159	107	24.00	79.97	399.97	751.04		Thrifty			
255 0 963	4TO8515	N91553119	299715	Mitsubishi	Montera	02/25/01	02/09/02	10	5,012	5,910	597	24.00	79.97	299.97	694.27		Thrifty			
255 0 064	4TPD374	N9f553115	257070	Dodge	Onranga	02/25/01	03/09/02	10	12,327	12,299	52	24.00	79.97	309.97	604.27		Thrifty			
255 0 065	4TPD443	N81552121	257069	Dodge	Onraoge	02/26/01	03/05/02	10	5,180	9,211	141	24.00	79.97	299.97	751.04		Thrifty			

255 R 068	4TPD259	N81553142	257059	Dodge	Durango	02/28/02	03/08/02	10	14,433	14,721	248	24.00	79.97	399.97	781.04		Thrifty			
255 R 071	4TPD442	N25149597	257088	Dodge	Durango	02/26/02	02/08/02	10	20,526	20,566	10	24.00	79.97	399.97	781.04		Thrifty			
225 R 069	4TPD358	N25149707	257057	Dodge	Durango	02/26/02	03/08/02	10	8,589	8,885	298	79.97	79.97	399.97	694.27		Thrifty			
Uplink Vehicles																				
255 R 069	4TPD266	N25149828	257052	Dodge	Durango	02/26/02	03/06/02	10	14,197	14,271	10	24.00	79.97	399.97	694.27		Thrifty			
255 R 071	4TPD271	N25149597	257084	Dodge	Durango	02/26/02	02/06/02	10	11,775	11,868	10	24.00	79.97	399.97	781.04		Thrifty			
255 R 071	4TPD260	N25149828	257060	Dodge	Durango	02/28/02	02/08/02	10	7,912	8,054	8,422	24.00	79.97	399.97	781.04		Thrifty			
255 R 072	4TPD272	N25149828	257086	Dodge	Durango	02/26/02	02/08/02	10	13,675	14,192	398	24.00	79.97	399.97	694.27		Thrifty			
252 R 072	4TDE008	N25149828	286205	Dodge	Durango	02/28/02	02/08/02	10	9,819	20,090	248	24.00	79.97	399.97	781.04		Thrifty			
255 R 076	4TDE004	N25149828	288207	Mitsubishi	Montero	02/26/02	02/08/02	10	8,174	8,422	248	24.00	79.97	399.97	694.27		Thrifty			
255 R 078	4TDE009	N25149773	288208	Mitsubishi	Montero	02/28/02	02/08/02	10	8,147	8,422	248	24.00	79.97	399.97	694.27		Thrifty			
255 R 078	4TPD256	N25149817	257055	Dodge	Durango	02/28/02	02/08/02	10	20,678	20,686	248	24.00	79.97	399.97	781.04		Thrifty			
Election Center Vehicles																				
258 R 052	4UPV834	N25149597	280812	Chrysler	Town & Country	02/26/02	03/12/02	13	6,467	6,764	297	24.00	79.97	399.97	694.27		Thrifty			
258 R 059	4SPT788	N28149806	201838	Dodge	Caravan	02/26/02	03/12/02	14	17,989	17,989	0	24.00	79.97	399.97	984.70		Thrifty			
255 R 057	4UPV824	N25149597	280124	Dodge	Caravan	02/26/02	02/08/02	10	10,290	10,408	118	24.00	79.97	399.97	781.04		Thrifty			
255 R 056	TEMP	N25149619	280158	Chrysler	Voyager	02/28/02	02/08/02	10	115	248	10	24.00	79.97	399.97	781.04		Thrifty			

Grand Total: $184,960.53

Item 9 - File 02-0251

Department: Department of the Environment (DOE)

Item: Hearing to consider the release of reserved funds for the Department of the Environment in the amount of $104,300 for professional services.

Amount: $104,300

Source of Funds: Public Utilities Commission funds work-ordered to the Department of the Environment. Such funds were previously appropriated and reserved by the Board of Supervisors in the Department of the Environment's Fiscal Year 2001-2002 budget. According to Ms. Ann Kelly of the DOE, the reserved funds were workordered from the PUC to the DOE in the FY 2001-2002 budget due to the DOE's expertise in providing energy conservation services for the City.

Budget: A summary budget of the subject $104,300 for the following energy-related projects to be performed by two outside consultants, Brown, Vence, and Associates and Hellmuth, Obata, & Kassabaum, is as follows:

Project	Estimated Hours	Hourly Rate	Total
Multifamily Green Building	122	$114.50	$13,969
Solar Market Study	332	$114.50	38,014
Residential Energy Conservation Ordinance	144	$104.75	15,084
Commercial Energy Conservation Ordinance	192	$104.75	20,112
Electricity Resource Plan	48	$105.75	5,076
Energy End-Use Study	115	$104.75	12,046
Total	953		$104,301[1]

Description: The Board of Supervisors previously appropriated and placed on reserve $119,300 in the FY 2001-2002 budget of the DOE. The funds are for professional services to

[1] The total contract amounts for the six projects sum to $104,301. Ms. Kelly advises that DOE will fund the $1 difference from other sources.

conduct energy-related projects, and were reserved pending submission to the Finance Committee of a) a specific description of the energy projects, b) selection of consultants to assist the DOE with energy planning, and (c) the consultant's estimated hours and hourly rates.

In December of 2001, the Board of Supervisors released $15,000 (File 01-2028) of the $119,300 previously placed on reserve to fund the completion of the Climate Change Action Plan, resulting in the remaining balance of $104,300. The DOE is now requesting the release of the remaining $104,300 to be used for the following energy resource projects: (a) Multi-family Green Building; (b) Solar Market Study; (c) Residential Energy Conservation Ordinance; (d) Commercial Energy Conservation Ordinance; (e) Electricity Resource Plan; and (f) Energy End-Use Study. Attachment I, provided by DOE provides descriptions of these energy-related projects.

The $104,300 would be used to fund contracts with two outside consultants selected through a Request for Proposals (RFP) process: (a) Brown, Vence, and Associates and (b) Hellmuth, Obata, & Kassabaum. Attachment II, provided by DOE provides details on the RFP process. As detailed in Attachment II, the process consisted of: (a) RFPs being sent to 75 firms; (b) the DOE received 10 proposals; (c) a panel evaluated and scored the 10 proposals on predetermined criteria of firm experience, personnel experience, added value and fees; (d) a panel interviewed the firms scoring above 70 points on the 100 point scale; and (e) three firms were chosen for energy consulting projects based on the interviews. See Comment No. 2 with respect to the third firm. As shown in Attachment II, Brown, Vence, and Associates, Hellmuth, Obata, & Kassabaum and one other consultant, ICF Consulting, (see Comment No. 2) received the highest scores of the competing firms.

Comments:

1. Ms. Kelly reports that Hellmuth, Obata, & Kassabaum will be contracted to work on the following projects for a total contract amount of $51,983: (a) the Multi-family Green Building for $13,969; and (b) the Solar Market Study for $38,014. Ms. Kelly further states that Brown,

Vence & Associates will be contracted to work on the following projects with a total contract amount of $52,318: (a) the Residential Energy Conservation Ordinance for $15,084; (b) the Commercial Energy Conservation Ordinance for $20,112; (c) the Electricity Resource Plan for $5,076; and (d) the Energy End-Use Study $12,046.

2. As stated in Attachment II, DOE has also selected ICF Consulting for contract services through the same RFP process. Ms. Kelly reports that DOE will request separate approval from the Finance Committee for the release of reserved funds in the amount of $97,500 for that contract.

Recommendation: Approve the requested release of reserved funds in the amount of $104,300.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

DEPARTMENT OF THE ENVIRONMENT

Consultant Tasks FY01-02
Energy Resource Projects

Multi-family Green Building. Contractor will provide direct technical assistance to non-profit developers currently designing multi-family housing subsidized through the Mayor's Office of Housing.

Solar Market Study. Contractor will develop customer profiles. Using City information sources and information from existing solar programs, the dimensions of the pool of potential customers will be estimated. Specific potential customers will be identified to the extent possible. Financial models will be developed for prioritized customer profiles.

Residential Energy Conservation Ordinance (RECO). Contractor will analyze at least six new energy efficiency measures for the RECO in terms of cost effectiveness. The measures will include: R-30 ceiling insulation, wall insulation, duct sealing, blower door testing, air sealing and caulking, minimum furnace efficiency, and minimum refrigerator efficiency.

Commercial Energy Conservation Ordinance (CECO). Contractor will review existing energy efficiency measures and recommend amendments. Contractor will analyze at least five new energy efficiency measures for cost effectiveness including: occupancy sensors, low flow water devices, efficiency modifications to existing HVAC equipment, high efficiency refrigeration equipment, and peak load management controls.

Electricity Resource Plan. Contractor will determine specific numbers to be used in the City's objectives for attaining the goals set in the Electricity Resource Plan to be presented to the Board of Supervisors. Objectives include the amount of electricity to be generated from renewable energy and cogeneration sources, number of megawatts saved through energy efficiency, decrease in power plant emissions, and cost estimates. Consultant tasks will be more firmly defined following public hearings on the Plan to be held next week.

Energy End-Use Study Contractor will segment the market and using available end use information develop profiles for each market segment. This will include a peak electricity load profile as well as a breakdown of the primary end uses per market segment for both electricity and natural gas. Market segments will be analyzed for various electric peak load reduction opportunities including: controls, load shifting, and replacement with high efficiency equipment

Source: DOE

SF Environment

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

March 7, 2002

TO: Mr. Harvey Rose, Budget Analyst

FROM: Ann Kelly, Senior Energy Specialist

SUBJECT: The RFP Process for Energy Technical Assistance

This memo is in response to an email request from Sarah Graham to David Assmann on 3/4/02 regarding the release of reserves for energy projects. The information below and in attachments A-D address the first item in the request: an explanation of the RFP process. Information for items (2) a complete budget, and (3) a description of projects, will be forthcoming.

An RFP for Energy and Resource Efficiency Consulting Assistance was issued by the Department of the Environment on December 10, 2001. The RFP was posted on the web site that day and a notice sent to over 75 parties over the next few days. Requests from other parties were met as they were received. A pre-proposal conference was held for bidders on December 18. Nineteen persons attended, representing 17 consulting firms. Attendance was not a prerequisite for submitting a bid. Ten proposals were received by the due date of January 18. One proposal was disqualified when a section of the proposal arrived after the deadline.

The RFP stated that the department was seeking to engage up to three firms to provide as-needed research, energy engineering, technical analysis, policy, and program design and implementation support. These tasks covered assistance that would be needed in the department to support several programs, including Green Building, Solar, Residential and Commercial Energy Codes, Small Business "Power Savers" program, and an energy profile study of San Francisco building types. While each of these programs is different and has specific goals, they share similar research and technical support requirements. The intent of this RFP was to enable the department to manage programs more cost effectively by entering into contracts with several firms who could perform tasks that overlap program areas and that would need support simultaneously. Monitoring and verification work intended for the Power Savers Program was included in this RFP. A request for release of the $97,500 set aside for that purpose will be sent to the Budget Analyst shortly.

A panel of three reviewers was set up to evaluate and score the proposals, using a predetermined set of criteria that had been spelled out in the RFP. Each of the criteria was assigned a designated number of points totaling 100 (Attachment A). The RFP indicated that the top 5 proposers receiving scores greater than 70 points would be invited to an oral interview. The results of the panel's scoring are shown in Attachment B.

One of the criteria was fees, which was assigned 20 points. All bidders were provided a fee worksheet with a list of 12 job classifications and hours representative of a task they might be asked to perform. (Attachment C). This was done to create an even playing field and to prevent gaming for lowest bid status.

Only four consulting firms scored above 70 points. They were interviewed on January 30 and 31 by the three reviewers plus one other panelist. Each finalist was asked the same set of eight questions, which they had received prior to the interview. They were also asked to respond to a ninth question of which they had no prior knowledge. Each question was assigned 10 points, for a total of 90 points. All interviews were limited to 90 minutes. The results of the interview scores are in Attachment D. Three consulting firms were chosen based on the interview scores: Brown, Vence, and Associates (BVA), Hellmuth, Obata & Kassabaum (HOK), and ICF Consulting.

ATTACHMENT A DEPARTMENT OF THE ENVIRONMENT
CRITERIA PROPOSAL EVALUATION SHEET--Technical Assistance Contract

FIRM NAME ______________________________
EVALUATOR ______________________ DATE __________ **SCORE:** __________

RATING CRITERIA	Maximum Points	Assigned Points
A. **Firm's Experience:** history of work involving primary or major responsibilities, on basis of:	30	____
▪ Record of comparable work		
▪ Breadth and depth of practice		
▪ Complexity of projects		
▪ Knowledge/Experience with homes and business facilities		
▪ Knowledge/Experience with alternative energy systems		
▪ Capacity for innovative and cost-effective solutions as indicated by identification of goals; insights into problems; access to special resources		
COMMENTS:		
B. **Personnel's Experience:** record of key professionals & composition of assigned staff and sub-consultants on basis of:	40	____
▪ Practical technical qualifications in:		
-Energy Retrofit Audit-Design-Construction Management services		
-Energy Efficient Lighting, HVAC, Refrigeration, Motors, and Whole Building Design		
-Green Building Design and Materials		
-Alternative Energy Technologies		
-Analysis and Evaluation		
▪ Program Design and Implementation		
▪ Marketing		
COMMENTS:		

Source: DOE

C. Fees: **20** ______

Lowest fee:__________ divided by Proposer's fee:__________ x 20 = ______

COMMENTS:

D. Added Value: **10** ______

- High levels of achieved energy savings in typical past projects
- Unusually complete or comprehensive services
- Achievement of significant non-energy benefits

COMMENTS:

AFFIRMATIVE ACTION **Yes / No**

GENERAL COMMENTS:

ATTACHMENT B
SCORES & RANKING OF PROPOSALS

TECHNICAL RFP PROPOSAL SCORES

GARY OTO	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	28	34	11.5	7	80.5
NA	26	32	12.34	4	74.34
ICF	25	30	12.29	4	71.29
Nexant	24	30	12.47	2	68.47
HOK	21	30	10.47	2	63.47
Mazetti	21	26	12.8	2	61.8
AESC	20	24	15.14	0	59.14
PECI	18	20	14.36	0	52.36
Digital	18	20	20	0	58
Stella*	10	12	0	0	22

*DISQUALIFIED

ANN KELLY	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	27	33	11.5	7	78.5
NA	22	30	12.34	2	66.34
ICF	24	30	12.29	5	71.29
Nexant	25	30	12.47	5	72.47
HOK	22	30	10.47	8	70.47
Mazetti	22	30	12.8	3	67.8
AESC	23	30	15.14	5	73.14
PECI	20	25	14.36	2	61.36
Digital	20	25	20	2	67
Stella	0	0	0	0	0

PETER O'DONNELL	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	25	30	11.5	5	71.5
NA	10	15	12.34	0	37.34
ICF	30	40	12.29	10	92.29
Nexant	15	20	12.47	0	47.47
HOK	30	40	10.47	10	90.47
Mazetti	30	40	12.8	10	92.8
AESC	15	15	15.14	5	50.14
PECI	10	15	14.36	0	39.36
Digital	10	15	20	0	45
Stella	10	15	0	0	25

Average Values

BVA	=	**76.83**
NA	=	**59.34**
ICF	=	**78.29**
Nexant	=	**62.80**
HOK	=	**74.80**
Mazetti	=	**74.13**
AESC	=	**60.81**
PECI	=	**51.03**
Digital	=	**56.67**
Stella	=	**15.67**

Ranking

ICF	**78.29**
BVA	**76.83**
HOK	**74.80**
Mazetti	**74.13**
Nexant	**62.80**
AESC	**60.81**
NA	**59.34**
Digital	**56.67**
PECI	**51.03**
Stella	**15.67**

Source: DOE

ATTACHMENT C

TECHNICAL ASSISTANT PROPOSAL FEE WORKSHEET

Position	Estimated Hours (as a percentage of sample project)	Rate/hr	Total
Manager	5		0
Senior Engineer	15		0
Associate Engineer	15		0
Architect	4		0
Project/Construction Manager	5		0
Auditor	10		0
Data Analyst	7		0
Marketer	7		0
Researcher/Writer	7		0
Junior Professional Staff	15		0
Administrative	5		0
Clerk	5		0
TOTAL	100		0

Source: DOE

ATTACHMENT D

Tech Proposals Interview Scores

	Q 1	Q 2	Q 3	Q 4	Q 5	Q 6	Q 7	Q 8	Q 9	TOTAL
CAL BROOMHEAD										
BVA	10	8	10	9	10	10	9	9	10	**85**
ICF	8	8	6	6	6	9	9	6	9	**67**
HOK	10	2	3	3	10	5	5	7	5	**50**
Mazetti	8	8	7	2	5	5	3	5	7	**50**
GARY OTO										
BVA	9	9	10	10	10	9	9	9	9	**84**
ICF	8	10	8	8	7	10	10	8	10	**79**
HOK	9	10	8	7	9	8	8	8	8	**75**
Mazetti	8	8	8	8	7	7	7	7	7	**67**
PETER O'DONNELL										
BVA	10	8	10	8	8	8	6	6	7	**71**
ICF	8	5	8	8	6	7	6	6	10	**64**
HOK	10	7	5	8	10	5	7	3	5	**60**
Mazetti	7	5	8	3	3	5	4	3	5	**43**
ANN KELLY										
BVA	9	8	10	8	9	8	8	8	8	**76**
ICF	8	8	7	7	7	8	8	7	8	**68**
HOK	9	9	7	7	10	8	9	8	6	**73**
Mazetti	6	7	6	2	6	5	6	6	5	**49**

AVERAGE SCORES

BVA	**79**
ICF	**70**
HOK	**64.5**
Mazetti	**52.25**

Source: DOE

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Wednesday, March 27, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tony Hall.

President Ammiano appointed Supervisor Hall to the Finance Committee for the meeting of March 27, 2002, only.

MEETING CONVENED

The meeting convened at 12: 34 p.m.

020144 **[Establishing Trial Rates for City Owned Garages and Metered Parking Lots]**

Resolution approving trial rates as proposed permanent parking rates, with adjustments, for the Civic Center Garage, the Ellis O'Farrell Garage, the 16th & Hoff Street Garage, the 324-8th Avenue Parking Lot (at 8th and Clement), the 330-9th Avenue Parking Lot (at 9th and Clement) and the 421-18th Avenue Parking Lot (at 18th and Geary) and the Performing Arts Garage. (Parking and Traffic Department)

2/6/02, RECEIVED AND ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Steven Lee, Parking Authority; Ronald Szeto, Parking Authority.
Continued to 3/20/02.

Speakers: None.
Continued to 4/10/02,

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020390 **[Administrative Code Revision: Health Service System]**

Supervisor McGoldrick

Ordinance amending Chapter 16, Article XV, of Part 1 of the San Francisco Municipal (Administrative) Code by amending Section 16.703 regarding Board approval of Health Service System Plans and Contribution Rates. (Human Resources Department)

(Fiscal impact.)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Yvonne Hudson, Health Service System; Mike Kramer, Towers Perrin.
Continued to 4/10/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020410 **[Municipal Transportation Agency Leverage Lease Financing]**

Mayor

Resolution authorizing one or more defeased lease-to-service contract transactions with respect to up to 118 Breda light rail cars; approving the form of and authorizing the execution and delivery of one or more Participation Agreements setting forth the terms and conditions of the lease-to-service contract transactions relating to the rail cars; approving the form of and authorizing the execution and delivery of one or more Head Lease Agreements providing the terms and conditions pursuant to which the rail cars will be leased to one of up to 6 trusts; approving the form of and authorizing the execution and delivery of one or more Head Lease Supplements supplementing the terms and conditions pursuant to which specific rail cars will be leased to each trust; approving the form of and authorizing the execution and delivery of one or more Sublease Agreements providing the terms and conditions pursuant to which each trust will lease the rail cars back to the City to be operated and maintained by the City; approving the form of and authorizing the execution and delivery of one or more Sublease Supplements supplementing the terms and conditions pursuant to which the City will lease back the rail cars from each trust; approving the form of and authorizing the execution and delivery of one or more Payment Agreements providing the terms and conditions pursuant to which the City will provide for the payment of a portion of the sublease rent; approving the form of and authorizing the execution and delivery of an Equity Collateral Security Agreement and a Custody Agreement providing the terms and conditions pursuant to which the City will provide for a custody account to hold and a security interest in, certain securities for the payment of a portion of the sublease rent and the purchase option purchase price if the purchase option is or is deemed exercised; approving the form of and authorizing the execution and delivery of one or more Support and Access Agreements providing the terms and conditions pursuant to which the City will provide each trust support and access to certain property if the City chooses not to purchase the rail cars at the end of the "base" sublease term; approving the form of and authorizing the execution and delivery of one or more Agreements for Assignment on Default each of which will provide the lender with an option to purchase, and take an assignment from an equity investor, such equity investor's beneficial interest in the trust estate upon the occurrence of a trigger event (as such term is defined in said Agreement); approving the form of and authorizing the execution and delivery of one or more Tax Indemnification Agreements providing the terms and conditions pursuant to which the City will indemnify each equity investor for income inclusions or losses of tax benefits; approving the form of and authorizing the execution and delivery of one or more Insurance and Indemnity Agreements providing the terms and conditions pursuant to which the City will indemnify each strip surety provider; approving indemnification of various parties; acknowledging the waiver of the City's right to jury trial under certain circumstances; acknowledging proposed waiver requests pursuant to Sections 12B.5-1(d) and 12C.5-1(d) of the San Francisco Administrative Code; finding that the lease-to-service contract transaction is designed to reduce the amount or duration of payment or similar risk to the City or enhance the relationship between risk and return with respect to investments made pursuant to or in connection with such transaction; approving and authorizing the execution and delivery of any document necessary to implement this Resolution; authorizing the execution and delivery of documents in conforming sets for one or more equity investors; ratifying and approving any action heretofore taken in connection with the transaction contemplated by this Resolution; and related matters. (Mayor)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 4/10/02,

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020388 [Contracting out Janitorial Services]

Resolution concurring with the Controller's certification that janitorial services can be practically performed by private contractor for lower cost than similar services performed by City and County employees. (Parking and Traffic Department)

3/13/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020395 [Gift - SF Public Library]

Resolution authorizing the San Francisco Public Library to accept and expend a gift in the amount of $150,100 from the Friends and Foundation of the San Francisco Public Library for the Ocean View Art Project and for the James C. Hormel Gay and Lesbian Center. (Public Library)

3/13/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; George Nichols, Finance Director, Library; Marquine Gomez, Executive Director, Friends and Foundation of San Francisco Public Library.
Amended by adding the following Further Resolved clause at the end of the resolution: "Be it further resolved that the gift of $25,100 will only be used to temporarily increase staff hours to complete the archiving of materials from the Harry Hay and Dorr Jones collections in the Hormel Center and that the Library will reduce staff hours funded by the gift once the funds are expended."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020438 [Reserved Funds, Mayor's Office of Community Development - 1998 CDBG Block Grant Program]

Hearing to consider release of reserved funds, Mayor's Office of Community Development, in the amount of $381,331 (File 98-0217: Resolution No. 121-98), to fund the construction of a new multi-purpose neighborhood center located in Visitacion Valley. (Mayor)

3/18/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Pamela David, Director, Mayor's Office of Community Development; Monique Zmuda, Chief Financial Officer, Department of Public Health; Linda Laura, Executive Director, Geneva Valley Development Corporation.
Release of reserved funds in the amount of $381,331 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

SPECIAL ORDER - 2:30 PM

020286 **[State grant for renovation of Harding Park and Fleming Golf Courses]**

Supervisors Hall, Daly

Resolution authorizing the City and County of San Francisco to accept and expend State grant funds under the Per Capita Grant Program, in the amount of $8,111,000, and under the Roberti-Z'berg-Harris Urban Open Space and Recreation Program Block Grant, in the amount of $5,016,627, from the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000; adopting findings pursuant to the California Environmental Quality Act; and adopting findings that such action is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

2/11/02, RECEIVED AND ASSIGNED to Neighborhood Services and Recreation Committee.

2/20/02, TRANSFERRED to Finance Committee.

2/28/02, REFERRED. Heard in Committee. Speakers: Supervisor Newsom; Ted Lakey, Deputy City Attorney, City Attorney's Office. Transferred to Finance Committee.

3/18/02, SUBSTITUTED. Supervisor Hall submitted a substitute resolution bearing same title.

3/18/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Cohen, Deputy City Attorney; Elizabeth Goldstein, General Manager, Recreation and Park Department; Commissioner Lynne Newhouse Segal, Recreation and Park Commission; Gary Hoy, Capital Program Manager, Recreation and Park Department; Dan McKenna, Acting Superintendent, Recreation and Park Department; Jaci Fong, Director of Property Management, Recreation and Park Department; Leon Gilmore, Western Regional Director, The First Tee, Commissioner Jesse Arreguin, Youth Commission; Gene Krekorian, Economics Research Associates (ERA); Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Mike Ippocito; Mr. A. D. Ward, Director, Allen Junior Golf Program; Duane Perry; Dan DeVries, President, Lincoln Park Golf Club; Bo Links; Phil Havlicek; Reola Freeman; Jene Lamison; Xavier Schmidt; Lou Perrone, President, Harding Park Golf Club; Connell Craig; Linda Hunter, Neighborhood Parks Council; Josh Kauffman; Sandy Tatum; Bud Wilson, Greater West Portal Neighborhood Association.

Amended on page 2, line 16, by replacing "October 12" with "October 30." Further amended at the end of the resolution by adding the following Further Resolved clause: "Further Resolved, That the department may not spend the grant funds authorized by this resolution unless and until the PGA Tour has duly executed the Master Tournament Agreement in file with the Clerk of the Board in File No. 020201."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020201 **[PGA Tour Championship at Harding Park Golf Course]**

Supervisor Hall

Resolution approving and authorizing a Master Tournament Agreement with PGA Tour, Inc., for the use of Harding Park Golf Course for the PGA Tour Championship Tournament.

2/4/02, RECEIVED AND ASSIGNED to Neighborhood Services and Recreation Committee.

2/20/02, TRANSFERRED to Finance Committee.

3/18/02, SUBSTITUTED. Supervisor Hall submitted a substitute resolution bearing same title.

3/18/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Cohen, Deputy City Attorney; Elizabeth Goldstein, General Manager, Recreation and Park Department; Commissioner Lynne Newhouse Segal, Recreation and Park Commission; Gary Hoy, Capital Program Manager, Recreation and Park Department; Dan McKenna, Acting Superintendent, Recreation and Park Department; Jaci Fong, Director of Property Management, Recreation and Park Department; Leon Gilmore, Western Regional Director, The First Tee, Commissioner Jesse Arreguin, Youth Commission; Gene Krekorian, Economics Research Associates (ERA); Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Mike Ippocito; Mr. A. D. Ward, Director, Allen Junior Golf Program; Duane Perry; Dan DeVries, President, Lincoln Park Golf Club; Bo Links; Phil Havlicek; Reola Freeman; Jene Lamison; Xavier Schmidt; Lou Perrone, President, Harding Park Golf Club; Connell Craig; Linda Hunter, Neighborhood Parks Council; Josh Kauffman; Sandy Tatum; Bud Wilson, Greater West Portal Neighborhood Association.
Amended on page 3, line 2, by replacing "October 12" with "October 30."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020198 **[Determination of Fees at Harding Park and Fleming Golf Courses]**

Supervisors Hall, Daly

Ordinance amending Article XII of the San Francisco Park Code by adding Section 12.12 thereto setting forth a fee structure for Harding Park and Fleming Golf Courses.

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.

3/11/02, SUBSTITUTED to Finance Committee. Supervisor Hall submitted a substitute ordinance bearing same title.

3/11/02, ASSIGNED to Finance Committee.

3/20/02, CONTINUED. Speakers: None.
Continued to 3/27/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Cohen, Deputy City Attorney; Elizabeth Goldstein, General Manager, Recreation and Park Department; Commissioner Lynne Newhouse Segal, Recreation and Park Commission; Gary Hoy, Capital Program Manager, Recreation and Park Department; Dan McKenna, Acting Superintendent, Recreation and Park Department; Jaci Fong, Director of Property Management, Recreation and Park Department; Leon Gilmore, Western Regional Director, The First Tee, Commissioner Jesse Arreguin, Youth Commission; Gene Krekorian, Economics Research Associates (ERA); Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Mike Ippocito; Mr. A. D. Ward, Director, Allen Junior Golf Program; Duane Perry; Dan DeVries, President, Lincoln Park Golf Club; Bo Links; Phil Havlicek; Reola Freeman; Jene Lamison; Xavier Schmidt; Lou Perrone, President, Harding Park Golf Club; Connell Craig; Linda Hunter, Neighborhood Parks Council; Josh Kauffman; Sandy Tatum; Bud Wilson, Greater West Portal Neighborhood Association.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

020197 [Golf Fund]

Supervisors Hall, Daly

Ordinance amending Chapter 10, Article XIII of the San Francisco Administrative Code by adding Section 10.100-256 thereto, establishing a San Francisco Recreation and Parks Golf Fund.

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.

3/18/02, SUBSTITUTED. Supervisor Hall submitted a substitute ordinance bearing same title.

3/18/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Cohen, Deputy City Attorney; Elizabeth Goldstein, General Manager, Recreation and Park Department; Commissioner Lynne Newhouse Segal, Recreation and Park Commission; Gary Hoy, Capital Program Manager, Recreation and Park Department; Dan McKenna, Acting Superintendent, Recreation and Park Department; Jaci Fong, Director of Property Management, Recreation and Park Department; Leon Gilmore, Western Regional Director, The First Tee, Commissioner Jesse Arreguin, Youth Commission; Gene Krekorian, Economics Research Associates (ERA); Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Mike Ippocito; Mr. A. D. Ward, Director, Allen Junior Golf Program; Duane Perry; Dan DeVries, President, Lincoln Park Golf Club; Bo Links; Phil Havlicek; Reola Freeman; Jene Lamison; Xavier Schmidt; Lou Perrone, President, Harding Park Golf Club; Connell Craig; Linda Hunter, Neighborhood Parks Council; Josh Kauffman; Sandy Tatum; Bud Wilson, Greater West Portal Neighborhood Association.

Continued to 4/3/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Hall

ADJOURNMENT

The meeting adjourned at 4:58 p.m.

25

/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 21, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: March 27, 2002 Finance Committee Meeting

Item 1 - File 02-0144

Note: This item was continued by the Finance Committee at its meeting of February 27, 2002.

Department: Department of Parking and Traffic (DPT)
Parking Authority

Item: Resolution approving parking rates at the following seven City-owned parking facilities: the Civic Center Garage, the Ellis O'Farrell Garage, the 16th and Hoff Street Garage, the Performing Arts Garage, the 324 8th Avenue Parking Lot (at 8th and Clement), the 330 9th Avenue Parking Lot (at 9th and Clement), and the 421 18th Avenue Parking Lot (at 18th and Geary).

Description: In accordance with Section 17.14 of the Administrative Code, the Parking and Traffic Commission can establish parking rates at City-owned parking facilities on a trial basis for a period of up to 360 days, without first obtaining approval of the Board of Supervisors. The Parking and Traffic Commission has oversight responsibility of 40 City-owned parking facilities, of which 19 are parking garages and 21 are metered parking facilities. This responsibility includes recommending permanent parking rates to be charged at these parking

facilities, which are subject to approval, by the Board of Supervisors.

The proposed resolution would adopt permanent parking rates recommended by the Parking and Traffic Commission at the seven City-owned parking facilities identified above, generally at the same rates which had been implemented by the DPT on a trial basis. A comparison of the proposed subject recommended permanent parking rates to both the original parking rates previously approved by the Board of Supervisors and to the trial parking rates established by the Parking and Traffic Commission, is shown in Attachment I, provided by Mr. Steven Lee of the Parking Authority. Attachment II, provided by Mr. Lee, explains the adjustments between the previously established trial parking rates and the proposed subject permanent parking rates at the seven City-owned parking facilities.

According to Mr. Lee, the existing parking rates for the seven subject City-owned parking facilities were implemented by the DPT on a trial basis as follows:

Garage	Trial Period Start Date	360-day Expiration Date
Civic Center Garage	September 1, 2001	August 26, 2002
Ellis O'Farrell Garage	March 1, 2001	February 26, 2002
16th and Hoff Street Garage	March 1, 2001; December 1, 2001	February 26, 2002; November 26, 2002*
Performing Arts Garage	October 1, 2001	September 25, 2002
324 8th Avenue Parking Lot	August 14, 2001	August 9, 2002
330 9th Avenue Parking Lot	August 14, 2001	August 9, 2002
421 18th Avenue Parking Lot	August 14, 2001	August 9, 2002

*According to Mr. Lee, trial valet parking rates were implemented on March 1, 2001 and increased long-term valet parking rates were implemented on December 1, 2001 for the 16th and Hoff Street Garage.

According to Mr. Lee, the DPT implemented the parking rates on a trial basis to meet the Department's objectives to reduce traffic, promote short-term transient parking, discourage low-occupancy commuter parking and increase revenues in City-owned parking facilities.

As shown in Attachment III, provided by Mr. Lee, the subject seven City-owned parking facilities currently have a total parking space capacity of approximately 2,600 parking spaces. According to Mr. Lee, the 2,600 parking spaces accommodate both approximately 968 monthly parking patrons and approximately 101,500 transient parking patrons per month.

Comments:

1. Attachment III, also contains projected parking revenues for FY 2001-2002 and for FY 2002-2003 for the subject seven City-owned parking facilities. As shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven City-owned parking facilities will generate estimated total gross parking receipts of $8,643,600 in FY 2001-2002 or $76,038 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. Also shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven parking facilities will generate estimated total parking receipts of $8,881,000 in FY 2002-2003 or $313,438 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. According to Mr. Lee, the projected total parking receipts for the Civic Center Garage for FY 2001-2002 and the projected total parking receipts for the Ellis O'Farrell Garage were both affected by the events of September 11, 2001.

2. In Attachment II Mr. Lee explains the valet transient parking rates at the 16th and Hoff Street Garage.

3. Mr. Lee advises that trial monthly carpool rates at the Ellis O'Farrell Garage and the 16th and Hoff Street Garage, as shown in Attachment I, were designed to encourage carpooling and to open up more parking spaces for increased short term parking. To qualify for the carpool rate there must be three or more occupants in the vehicle. According to Mr. Lee, the "Re-opening Garage Fee" rates listed in Attachment I do not accrue to the City but rather accrue to the garage operators.

4. At its meeting of February 27, 2002, the Finance Committee requested DPT to update the Committee on the status of the eviction of some commercial sub-tenants occupying space on the ground floor of the Ellis O'Farrell

Garage at 121 O'Farrell. Attachment IV, provided by Mr. Ron Szeto of DPT, is a memorandum in response to the Committee's request with respect to such evictions.

Recommendation: Approval of the proposed resolution is a policy decision for the Board of Supervisors.

CIVIC CENTER GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Day Rates (Opening until 7:00 pm)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
Lost Ticket	18.00	18.00	18.00
Special Event	8.00	9.50	9.50
Motorcycle	1.00	1.00	1.00
Student	5.00	5.00	5.00
Bicycle	Free	Free	Free
Berkeley Repertory Theatre/Bart	N/A	4.00	4.00
Overnight Flat Rate	N/A	2.00	2.00
Overnight Flat Rate Hours	(9:00 PM to 9:00 AM Mon through Fri) (9:00 PM to 12:00 PM Sat and Sun)		
Evening Rates (7:00 pm until Closing)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
Monthly Parking			
Regular	156.25	156.25	156.25
Resident	90.00	90.00	90.00
Motorcycle	25.00	25.00	25.00
Government	125.00	125.00	125.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00
Restricted	N/A	75.00	75.00
Restricted - (No Parking between 9:00 AM to 6:00 PM Monday through Friday)			
Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

ELLIS O'FARRELL GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Mon.-Sat. Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	2.00	2.00
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	5.00	4.00	4.00
3.0 - 4.0 Hours	7.00	6.00	6.00
4.0 - 5.0 Hours	9.00	9.00	9.00
5.0 - 6.0 Hours	12.00	12.00	12.00
6.0 - 7.0 Hours	15.00	15.00	15.00
Over 7 Hours	15.00	20.00	20.00
Maximum Mon.-Sat. Day Rate	15.00	20.00	20.00
Motorcycle Flat Fee	3.00	3.00	3.00
Sunday Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	1.00	2.00
1.0 - 2.0 Hours	3.00	2.00	3.00
2.0 - 3.0 Hours	5.00	3.00	4.00
3.0 - 4.0 Hours		4.00	6.00
4.0 - 5.0 Hours		5.00	
Maximum Sunday Day Rate	5.00	5.00	6.00
Evening Rates (every night 6:00 pm until closing)			
0.0 - 1.0 Hour	1.00	1.00	1.00
1.0 - 2.0 Hours	3.00	2.00	2.00
2.0 - 3.0 Hours	5.00	3.00	3.00
3.0 - 4.0 Hours		4.00	4.00
4.0 - 5.0 Hours		5.00	5.00
Maximum Evening Rate	5.00	5.00	5.00
Lost Ticket and 24 Hour Maximum			
Monday through Saturday	20.00	25.00	25.00
Sunday	10.00	10.00	11.00
Monthly Parking			
Regular	195.00	250.00	250.00
Carpool	N/A	125.00	125.00
Miscellaneous Charges			
Late Monthly Payments	N/A	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	N/A	25.00	25.00
Access Card Deposit	25.00	50.00	50.00
Re-opening Garage Fee	N/A	50.00	50.00

16th and Hoff Street Garage

Transient Parking	Original Parking Rate	Trial Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Metered each 30 minutes	0.25			
Transient Vehicles Self-Park (2 hour limit)				
(Enforced 9:00 am to 6:00 pm)				
Flat Rate (opening until 6:00 pm)		2.00		
Flat Rate (6:00 pm until closing)		4.00		
Transient Vehicles - Valet Parking Only				
All Day Rates				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour			2.00	
1.0 - 2.0 Hours			2.00	
2.0 - 3.0 Hours			2.00	
3.0 - 4.0 Hours			3.00	
4.0 - 5.0 Hours			4.50	
5.0 - 6.0 Hours			6.00	
6.0 - 7.0 Hours			8.00	
7.0 - 24 Hours			12.00	
Day Rates (opening until 6:00 pm)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				1.00
1.0 - 2.0 Hours				2.00
2.0 - 3.0 Hours				3.00
3.0 - 4.0 Hours				4.00
4.0 - 5.0 Hours				6.00
Evening Rates (6:00 pm until closing)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				2.00
1.0 - 2.0 Hours				4.00
2.0 - 3.0 Hours				6.00
24 Hour maximum				12.00
Lost Ticket	N/A	6.00	12.00	12.00
Monthly Parking				
Regular	75.00	75.00	75.00	100.00
Carpool	N/A	N/A	50.00	50.00
Monthly Patrons Self-Park on Roof Level				
Miscellaneous Charges				
Late Monthly Payments				25.00
Lost Access Card				25.00
Damaged Access Card				25.00
Access Card Deposit				50.00
Re-opening Fee				50.00

PERFORMING ARTS GARAGE

Transient Parking	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
24 Hour Maximum	15.00	14.00	14.00
Lost Ticket	15.00	15.00	14.00
Early Bird	7.00	7.00	7.00
Motorcycle	2.00	2.00	2.00
Special Event	8.00	9.50	9.50
Overnight Flat Rate	3.00	2.00	2.00
Overnight Flat Rate Hours Must enter before closing and remain overnight.	(From closing until 9:00 am)	(From 9:00 PM until 12 noon next day the garage is open for business)	
Monthly Parking			
Regular	140.00	140.00	140.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00
Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

Metered Parking Lots

	Original	Trial & Proposed Permanent
324 8th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
330 9th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
421 18th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (1-Hour time limit 9 AM to 6 PM) (2-Hour time limit 6 PM to 12 AM)

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: February 20, 2002

TO: Maureen Singleton
Budget Analyst Office

FROM: Steven Lee
Principal Analyst
Parking Authority

SUBJECT: **File No. 02-0144, Resolution Approving Trail Rates as Permanent Rates at Various City Garages and Metered Parking Lots**

The purpose of this memorandum is to address your questions regarding the operations of the 16th & Hoff Street Garage, the Revenues Projections for FY 2000-2003 and the differences between the Trial Rates and the Proposed Permanent Parking Rates.

The St. Mary's Square Garage and the 16th and Hoff Street Garage is jointly operated under one Management Agreement, dated October 1, 1997, between Parking Concepts, Inc./DAJA, Inc. and the City. The Management Agreement also required the operator to manage the 16th & Hoff Street Garage which at that time was a self-park metered per stall facility with controlled monthly parking on the roof level that only required the operator to provide a security presence.

In February 2001, after meeting with the Mission District Community, in October 2000, to discuss their concerns regarding quality of life issues that included off-street parking, we removed the parking meters and requested the operator to begin valet attendant operations at the 16th & Hoff Street Garage to increase parking availability that commenced on March 1, 2001. Under the terms of the Management Agreement, the cost of valet attended operation from March 1, 2001 through December 2001 is $148,992 for the additional services. The Total Parking Receipts (including Parking Tax) of $167,925 from March 1, 2001 though December 1, 2001 covers the expenses by $18,933. However, the 16th & Hoff Street Garage generated $43,890 in the prior year for the same ten months before implementing valet attendant services.

We feel that the services provided to the community by the 16th & Hoff Street Garage greatly improves the quality of life for the residents, merchants and visitors of that neighborhood and that this program is worthy of continuing despite the initial reduction in revenue to the City.

In regard to the comparison of FY 2000-2001 Actual to the FY 2001-2002 Projected and the FY 2002-2003 Projected Parking Receipts, we project an increase of $76,038 or 9/10th of a percent for FY 2001-2002 compared to FY 2000-2001 Actual. We project that FY 2002-2003 will be above the FY 2001-2002 by $237,400 or 2.7 percent.

<u>Differences between Trial Rates and Proposed Permanent Parking Rates:</u>

Performing Arts Garage – Lost Ticket from $15.00 to $14.00. The Lost Ticket Rate should equal the 7.0-Hour Rate of $12.00 plus the Overnight Flat Rate of $2.00.

Civic Center Garage – No Difference.

Ellis O'Farrell Garage – We propose adjusting the Sunday Day Rates to reflect the Mon.-Sat. Day Rates with a Maximum Sunday Day Rate of $6.00. The Lost Ticket and 24-Hour Maximum of $11.00 for Sundays reflect the Maximum Sunday Day Rate of $6.00 plus the Maximum Evening Rate of $5.00.

16th & Hoff Street Garage – We propose to discontinue the All Day Rates and implement Day Rates and Evening Rates to balance the needs of the community and the demand for parking at the garage. The initial Trial Rates attracted too many long-term patrons and the second Trail Rates caused the garage to be underutilized because the patrons are either unwilling or could not afford to pay the rates. Please note that all Transient vehicles are valet parked and Monthly patrons self-park on the roof level.

Metered Parking Lots – No Difference.

Please do not hesitate to call me at 554-9869 if you have any questions or concerns.

Attachment III

RATE ADJUSTMENT COMPARISON

Garage / Lot	Effective Date of Rate Adjustment	Current Months of Comperision with same Months of Prior Year	Total Parking Receipts Prior	Total Parking Receipts Current	Total Parking Receipts Difference	Transient Count Prior	Transient Count Current	Transient Count Difference	Monthly Count Prior	Monthly Count Current	Monthly Count Difference
Civic Center	September 1, 2001	Sept. 01 thru Dec. 01	960,868	825,650	(135,218)	130,490	125,230	(5,260)	1,561	1,677	116
Ellis O'Farrell	March 1, 2001	Mar. 01 thru Dec. 01	3,444,015	3,423,406	(20,609)	653,079	680,189	27,110	1,572	1,753	181
16th & Hoff Street	March 1, 2001	Mar. 01 thru Nov. 01	43,890	152,548	108,858	N/A	39,243	N/A	384	576	192
	December 1, 2001	Dec 01	5,724	15,377	9,653	N/A	3,106	N/A	49	64	15
Performing Arts	October 1, 2001	Oct. 01 thru Dec. 01	450,825	546,233	95,408	46,921	49,782	2,861	927	958	31
324 8th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	9,131	10,098	965	N/A	N/A	N/A	N/A	N/A	N/A
330 9th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	5,951	7,022	1,071	N/A	N/A	N/A	N/A	N/A	N/A
421 18th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	7,493	9,057	1,564	N/A	N/A	N/A	N/A	N/A	N/A
Totals			$ 4,927,897	$ 4,989,389	$ 61,492	830,490	897,550	24,711	4,493	5,028	535

FY 2000 - 2001 ACTUALS AND FY 2001 - 2003 PROJECTIONS

Garage / Lot	FY 2000-2001 Actual	FY 2001-2002 Projected	FY 2002-2003 Projected	Garage/Lot Parking Space Capacity
Civic Center	$ 2,700,767	$ 2,600,000	$ 2,600,000	843
Ellis O'Farrell	4,205,998	4,063,000	4,250,000	950
16th & Hoff Street	106,848	207,600	252,000	98
Performing Arts	1,487,225	1,700,000	1,700,000	618
324 8th Avenue Lot	27,087	30,000	31,500	31
330 9th Avenue Lot	17,767	16,000	19,000	26
421 18th Avenue Lot	21,870	27,000	28,500	34
Totals	$ 8,567,502	$ 8,643,800	$ 8,881,000	2,600

Note: Parking Taxes are not applicable at Metered Parking Lots.
Parking Taxes are included in Total Parking Receipts for Parking Garages.

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMOUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

DATE: March 7, 2002

TO: Maureen Singleton, Analyst
Budget Analyst's Office

FROM: Ronald Szeto, Acting Director RS
Parking Authority

RE: **Trial Parking Rates File No. 02-0144**

The purpose of this memorandum is to provide a status update on the 121 O'Farrell Street ground floor commercial space per your request. This request was initiated at the February 27, 2002 Finance Committee meeting of the San Francisco Board of Supervisors in conjunction with consideration of trial parking rates at the Ellis O'Farrell Garage (File No. 02-0144).

It is important to note that the parking rates being considered are only applicable to our parking patrons and have no relationship to the ground floor commercial space lease in question.

Pursuant to the 1992 Lease between the City and County of San Francisco and the City of San Francisco Ellis-O'Farrell Parking Corporation (the "Corporation"), the Corporation is authorized to lease commercial spaces within the Ellis-O'Farrell Garage (the "Garage").

At the February 5, 2002 Parking and Traffic Commission meeting, Mr. Jerome Garchik, attorney representing 15-20 small business owners of the 121 O'Farrell site (subsequently known as 121 O'Farrell Merchants Association "Merchants"), reported that his clients are getting evicted. Mr. Garchik further states that the Corporation is seeking "dot com" boom or rent increases and is looking for a high profile tenant. Mr. Steven Wally, owner of Jewelry By Steven since 1984 at the 121 O'Farrell site, also commented at the meeting. Mr. Wally asked the Parking and Traffic Commission to provide some assistance to the Merchants from being evicted. The Department of Parking and Traffic offered to review the situation and provide assistance to the small business owner.

Findings

- The Corporation has a lease agreement with Wholesale Jeweler's Exchange, LLC. ("WJE") for the 121 O'Farrell commercial space (4,483 square feet). The WJE sub-leases the commercial space to the Merchants.

- On May 1, 2000, the Corporation and WJE agreed to amend the original 1997 lease to terminate said lease on May 31, 2001. Thereafter, the lease was amended to a month-to-month basis with either party having the right to terminate with 60-days written notice. Subsequently, on December 24, 2001, WJE gave termination notices to the Corporation and to the Merchants effective February 28, 2002. In addition, WJE gave at least three (3) other updates/notices to the Merchants regarding the termination of the lease. (Attached are the Notices)

- Corporation, in preparation of renting the 121 O'Farrell commercial space, started a solicitation process for an exclusive broker.

- At the Corporation's June 28, 2000 meeting, the Corporation selected Blatteis Realty to advertise the commercial space and subsequently executed a 6-month listing agreement commencing September 5, 2000.

- Blatteis advertised the commercial space and in October 2000, posted "For Lease" signs above the main entrance of the commercial space.

- Some of the small business owners of the 121 O'Farrell space started searching for a new business location.

- In February 2001, the Parking Corporation granted Blatteis an extension to the listing agreement until September 5, 2001.

- In September 2001, the tenant of the 133 O'Farrell commercial space (1,127 square feet) was evicted for non-payment of rent and the 133 O'Farrell site became available.

- In September 2001, Blatteis identified Saab Cars USA, Inc. as the only interested party, with sufficient funding, for the 121 O'Farrell site. Since then the Parking Corporation has been in a good faith negotiation with Saab. Although there are not any explicit non-interference clause, the good faith negotiation implies that the Corporation and Saab would negotiate until a conclusion is reached.

- On October 15, 2001, subject to the Saab good faith negotiations, the Corporation executed a listing agreement with a new broker, DiChiara & Wright Realty Services for the marketing of both the 121 and 133 O'Farrell sites.

- On October 17, 2001 Board of Directors meeting, the broker presented eight offers (of which three were made by 121 O'Farrell small business owners). In November 2001, the Corporation executed a ten (10) year lease, commencing on January 1, 2002, for the 133 O'Farrell site with a partnership comprised of an established outside jeweler and one of the small business owners of the 121 O'Farrell site. The small business is and still will continue to sub-lease space from WJE until the build-out of the 133 O'Farrell site is completed (until March 31, 2002). The small business owner reported that several other merchants verbally agreed to rent a portion of the 133 O'Farrell site.

- On December 24, 2001, as mentioned above, WJE served notice of termination (effective February 28, 2002) to the Merchants for the 121 O'Farrell site.

- On February 5, 2002 Parking and Traffic Commission meeting, representative of the small business owners commented that they were being evicted from a public property without proper notice and asked the Parking and Traffic Commission for assistance.

Options

- What appears as a straightforward request by the Merchants became very complicated as we began our assistance.

- There are seven (7) separate parties involved in these two commercial spaces. The City, the Corporation, WJE, the Merchants, the brokers, Saab, and the partners of the 133 O'Farrell site.

- The City and the Corporation do not have legal authorization to dictate terms and condition involving the contractual relationship between WJE and the Merchants.

- If the City directs the Corporation to terminate their good faith negotiations with Saab and conduct exclusive negotiations with the Merchants, then the City would be interfering in a contractual relationship and together with the Corporation could be liable for all costs incurred by Saab and brokers. Also, the City maybe liable for damages to the partners of the 133 O'Farrell site. Furthermore, the City would reward tenants who failed to act responsibly in seeking new business locations and would punish the 133 O'Farrell partners merchants who did act responsibly in moving into the 133 O'Farrell site. If the City decides to pursue this option, the Department of Parking and Traffic recommends that the Merchants shall indemnify the City and the Corporation, and that the Merchants shall be fully responsible for any and all subsequent liability, including but not limited to, damages mentioned above.

Maureen Singleton
3-7-02
Page 4 of 4

In addition, the Merchants shall secure proper insurance and bonds to fulfill the indemnification requirement.

- Since the lease agreement with WJE would have expired on February 28, 2002, the Department of Parking and Traffic encouraged the Corporation and WJE to extend the lease agreement for 60-90 days. The Corporation through WJE proposed a 90-day extension for the Merchants under the same terms and conditions.

- The Merchants are urged to use this time to explore any and all options. The Department of Parking and Traffic suggests that the Merchants contact the Fifth and Mission Garage for available commercial spaces as another option.

- If the City allows the Corporation to continue their good faith negotiations with Saab, the City would not be liable for any potential damages. The Merchants would have at least 90 days to explore other options. Since the market conditions are favorable to renters, the Merchants may find a better location at a reasonable rent. The partners of 133 O'Farrell would continue to conduct business as usual from the 121 or 133 O'Farrell sites. If the good faith negotiations with Saab were to break off naturally, then the Merchants will have a second opportunity to participate for this site in a competitive process.

Cc: Fred Hamdun, Executive Director, DPT
Diana Hammons, DPT
Daniel Hwang, Small Business
Richard Dole, Ellis-O'Farrell Corporation
Honorable Members, Parking and Traffic Commission
Honorable Members, Board of Supervisors

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Item 2 - File 02-0390

1. The proposed ordinance would amend Section 16.703 of the Administrative Code to approve the City's FY 2002-2003 Health Service System plans and rates of contributions, as adopted by the Health Services Board, to be paid by members of the System. The members of the System include employees and members of Boards and Commissions, retirees, and the spouses, domestic partners, dependents, and surviving spouses of these groups for the City and County of San Francisco, Community College District, and the San Francisco Unified School District.

Health Plans

2. The Board of Supervisors previously adopted a resolution (File 02-0096) setting the City's contribution to the Health Service Fund for FY 2002-2003 at $246.69 per month for each member. The City's contribution was established in accordance with Charter Sections A8.423 and A8.428, which set the average contribution rate based on a survey of the 10 most populous counties in California (excluding San Francisco). The City's contribution of $246.69 per month ($2,960.28 annually) represents an increase of $32.76 per month, or approximately 15.3 percent, from the FY 2001-2002 rate of $213.93 per month ($2,567.16 annually).

3. Once the City's contribution is established, member contributions are calculated by the Health Service System actuary, Towers Perrin, Consulting Actuaries, in order to ensure that contributions from all sources will be adequate to support anticipated claims for the upcoming fiscal year. This report is based on data provided by Towers Perrin in a March 8, 2002 letter to the Board of Supervisors. The proposed ordinance would establish member contribution rates for FY 2002-2003 in accordance with Charter Sections A8.421 and A8.422. Contribution rates vary depending upon: (1) the member's status (active employee, retiree, etc.); (2) whether or not that individual has Medicare coverage; and (3) which of the City's health plans the member elects to join. The actuarial report and details of the member contribution rates are contained in the file of the Clerk of the Board.

4. Ms. Yvonne Hudson of the Health Service System advises that as of March 1, 2002, 38,474 active employees, including San Francisco Unified School District and the Community College District employees, were covered by the System, with an additional 1,399 who chose not to be covered but who may request coverage in the future. Ms. Hudson advises that the System covers 15,368 retirees and that an additional 977 retirees are eligible to request coverage.

The City Health Plan (which is administered by the City's Health Service System) and Kaiser, Health Net, and Blue Shield (all HMOs) will be offered in FY 2002-2003. The Health System Board voted to offer Blue Shield coverage to retirees

for the FY 2002-2003 year to increase the options available to retirees. In FY 2001-2002, retirees' plan choices were limited to the City Health Plan, Health Net and Kaiser.

5. Changes to the City Health Plan benefits in FY 2002-2003 include:

- Coverage for hearing aids was increased to a $2,500 maximum benefit during any three-year period. Hearing aids were previously subject to an annual $1,000 maximum.

6. The following changes were made in benefits for FY 2002-2003 HMO members:

<u>Blue Shield</u>
- Pharmacy copay increased from $5 to $10 for formulary[1] brand-name[2] drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic[3] drugs remained at $5.
- Hearing aid benefit limit increased from $1,000 to $2,500 per three-year period.
- Infertility benefit modified from one course of treatment per plan year to three courses of treatment per lifetime.

<u>Health Net</u>
- Pharmacy copay increased from $5 to $10 for formulary brand-name drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic drugs remained at $5.

<u>Kaiser</u>
- Pharmacy copay increased from $5 to $10 for brand-name drugs. The pharmacy copay for generic drugs remained at $5.
- Hearing aid benefit limited to $2,500 every three years. Previously the benefit was unlimited.
- Infertility benefit modified from gamete intrafallopian transfer (GIFT) only to three courses of in-vitro fertilization, GIFT or zygote intrafallopian transfer (ZIFT) per lifetime at 50% copay.

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[1] A formulary is a list of both generic and brand name drugs that are preferred by a health plan. Health plans will choose formulary drugs that are just as safe and effective as drug alternatives but cost less.

[2] A brand-name drug is supplied by one company (the pharmaceutical manufacturer). The drug is protected by a patent and is marketed under the manufacturer's brand name.

[3] A generic medication is a copy of the brand name drug that can be sold after a manufacturer's drug patent expires. A generic drug is marketed under its chemical name.

7. A comparison of the FY 2001-2002 monthly rates to be paid by active City employees with the FY 2002-2003 rates adopted by the Health Service Board is shown on Table 1:

Table 1
Monthly Health Plan Rates to be Paid by Active City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Employee	$104.86	$118.85	$13.99	13.3%
Employee plus one dependent	328.72	482.39	153.67	46.7%
Employee plus two dependents	559.47	774.81	215.34	38.5%
Kaiser				
Single Employee	0.00	0.00	0.00	0.0%
Employee plus one dependent	203.25	237.10	33.85	16.7%
Employee plus two dependents	371.95	433.89	61.94	16.7%
Health Net				
Single Employee	3.27	18.07	14.80	452.6%
Employee plus one dependent	219.51	281.87	62.36	28.4%
Employee plus two dependents	399.66	501.45	101.79	25.5%
Blue Shield				
Single Employee	5.17	3.10	(2.07)	(40.0%)
Employee plus one dependent	223.28	251.89	28.61	12.8%
Employee plus two dependents	404.24	458.02	53.78	13.3%

See Comment No. 1 for discussion of the potential impact of MOUs on employee's contributions.

8. A comparison of the FY 2001-2002 monthly rates paid by retired City employees who are enrolled in the Health Service System with the proposed FY 2002-2003 rates adopted by the Health Service Board is shown on Table 2 on the following page:

Table 2
Monthly Health Plan Rates to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Subscriber (w/o Medicare)	$52.43	$59.42	$6.99	13.3%
Subscriber plus one dependent (both w/o Medicare)	164.36	241.19	76.83	46.7%
Single Subscriber (w/ Medicare)	27.43	32.42	4.99	18.2%
Subscriber plus one dependent (both w/ Medicare)	127.31	166.29	38.98	30.6%
Kaiser Health Plan				
Single Subscriber (w/o Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/o Medicare)	101.62	118.55	16.93	16.7%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	52.73	94.71	41.98	79.6%
Health Net				
Single Subscriber (w/o Medicare)	1.63	9.03	7.40	454.0%
Subscriber plus one dependent (both w/o Medicare)	109.75	140.93	31.18	28.4%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	94.63	136.02	41.39	43.7%
Blue Shield				
Single Subscriber (w/o Medicare)	--	1.55	--	--
Subscriber plus one dependent (both w/o Medicare)	--	125.94	--	--
Single Subscriber (w/ Medicare)	--	0.00	--	--
Subscriber plus one dependent (both w/ Medicare)	--	183.73	--	--

9. The increases for Medicare retirees are dictated largely by the formula by which HMOs are reimbursed for Medicare members by the Federal Centers for Medicare and Medicaid Services (CMS, formerly the Federal Health Care Financial Administration). In the past, CMS reimbursement enabled the HMOs to provide health care to Medicare retirees at a reasonable cost; however, the Federal

Balanced Budget Act of 1997 changed the formula used to calculate the HMOs' reimbursements. The result was that CMS reimbursements are no longer keeping pace with the cost of health care, and the HMOs make up the shortfall by increasing premiums paid by retired City employees.

VISION PLAN BENEFITS

10. Members enrolled in any of the medical plans offered by the Health Services System also receive vision benefits. All Kaiser members receive vision benefits from Kaiser. All other medical plan enrollees receive vision benefits insured by Vision Service Plan (VSP). Vision plan enrollment is combined with medical plan enrollment, and the cost of the vision benefit is a component of the cost of the medical plan.

VSP offered the City a 7% decrease in premium rates, with the new rates guaranteed for 24 months through June 30, 2004. There were no changes in the benefits offered by VSP.

DENTAL PLAN BENEFITS

11. The Health Service System will continue to offer three dental plans to members: an indemnity plan administered by Delta Dental and two prepaid plans, PMI and Pacific Union. The City pays the full cost of Dental benefits for active employees. The Health Service System, effective July 1, 2001, no longer offers dental coverage to the Community College and San Francisco Unified School District because these employees are offered dental coverage through their respective employers.

According to Ms. Hudson, as of March 1, 2002, 28,773 active employees were enrolled in City dental plans and 6,518 retirees were enrolled in dental plans.

12. The Delta Dental Plan for active employees is self-insured and Towers Perrin's evaluation of claim experience determined that no change should be made in the rates used by the City to fund the plan. In addition, Delta Dental requested no change in the rates for the insured plan for retirees. PMI requested no change in active employees and retirees rates. Pacific Union requested no change in active employees and retirees rates.

13. While retirees may choose from the same three dental plans, the benefits and rates differ from those for active employees.

14. A comparison of the FY 2001-2002 and FY 2002-2003 monthly premium rate schedules for employer contributions of the three dental plans is shown below in Table 3, and indicates that there would be no changes in dental plan rates:

Table 3
Monthly Dental Plan Rates to be Paid by the City for
Active City Employees FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Employee	$55.26	$55.26	$0.00	0.0%
Employee plus one dependent	90.80	90.80	0.00	0.0%
Employee plus two dependents	136.51	136.51	0.00	0.0%
PMI				
Single Employee	22.17	22.17	0.00	0.0%
Employee plus one dependent	36.58	36.58	0.00	0.0%
Employee plus two dependents	54.09	54.09	0.00	0.0%
Pacific Union				
Single Employee	25.71	25.71	0.00	0.0%
Employee plus one dependent	42.44	42.44	0.00	0.0%
Employee plus two dependents	62.76	62.76	0.00	0.0%

15. A comparison of the monthly premium rates to be paid by retired City employees for the FY 2001-2002 and FY 2002-2003 dental plans is shown below in Table 4, and reflects that there would be no changes in dental plan rates:

Table 4
Dental Plan Monthly Premiums to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Retiree	$33.76	$33.76	$0.00	0.0%
Retiree plus one dependent	67.60	67.60	0.00	0.0%
Retiree plus two dependents	102.11	102.11	0.00	0.0%
PMI				
Single Retiree	28.09	28.09	0.00	0.0%
Retiree plus one dependent	46.35	46.35	0.00	0.0%
Retiree plus two dependents	68.55	68.55	0.00	0.0%
Pacific Union				
Single Retiree	15.24	15.24	0.00	0.0%
Retiree plus one dependent	25.16	25.16	0.00	0.0%
Retiree plus two dependents	37.20	37.20	0.00	0.0%

Comments

1. Many of the City's MOUs include provisions whereby the City pays a portion of the employee's cost for health and dental benefits. Such payments by the City are not reflected in the data provided by the Health Service System shown in the tables of this report. Ms. Donna Marchuk of the Department of Human Resources advises that the majority of City workers are covered by MOUs which provide in FY 2002-2003 that the full employee premium for single employees is paid by the City and up to 75 percent of the rate of the employee costs for Kaiser coverage for the employee plus two dependents is paid by the City. Ms. Hudson notes that 75 percent of the employee costs for Kaiser coverage for the employee plus two dependents was $278.96 in FY 2001-2002 (.75 x $371.95) and will be $325.42 in FY 2002-2003 (.75 x $433.89).

As a result, contrary to the data shown in Table 1, many of the City's MOUs provide that single employees enrolled under the City Health Plan paid nothing in FY 2001-2002 (instead of a rate of $104.86 per month) and would again pay nothing

under the proposed FY 2002-2003 rates (instead of the rate of $118.85 per month). Furthermore, many of the City's MOUs provided that employees with one dependent enrolled in the City Health Plan in FY 2001-2002 paid $49.76 per month (City Health Plan rate of $328.72 less the City paid benefit of $278.96) instead of $328.72 and would pay $156.97 per month (City Health Plan rate of $482.39 less the City paid benefit of $325.42) instead of $482.39 in FY 2002-2003.

Ms. Marchuk reports that, to date, two of the City's 46 MOUs remain to be renegotiated this year and each will be retroactive, covering the period of July 1, 2001 through June 30, 2003. Ms. Marchuk also notes that the Underrepresented Employees Ordinance remains to be renegotiated for FY 2002-2003. These MOUs and the Underrepresented Employees Ordinance will be subject to the approval of the Board of Supervisors.

2. The Towers Perrin report notes several actions intended to minimize the potential for errors in employee communications and in plan administration:

- All vendors were asked to provide their signed acceptance of the rates to be used by the Health Service System. These approvals have been obtained and are on file with the Health Service System staff.

- Towers Perrin is reviewing the contribution tables to be included in the open enrollment communications that will be provided to employees and retirees.

- Towers Perrin will be reviewing the rates entered into the Health Service System's Management Information System (MIS) to ensure the accuracy of the data entered into the MIS, including health care plan costs, City contributions and employee contributions.

3. The Towers Perrin letter concludes that the actions taken by the Health Service Board in the areas of benefit design, rating and reserving are consistent with Towers Perrin's recommendations and conform to a reasonable actuarial standard of plan management. Mr. Michael Kramer of Towers Perrin advises that "reserving" means the calculation of the amount of money that the Health Services Trust Fund needs to maintain to cover its obligations for claims incurred but not yet paid and for anticipated fluctuations in claims.

Recommendation

Approve the proposed ordinance.

Item 3 - File 02-0410

Department: Municipal Transportation Agency (Muni)

Item: Resolution authorizing a leveraged lease-leaseback transaction of up to 118 Muni light rail vehicles. The proposed resolution approves a variety of agreements required to execute the proposed transaction. The proposed resolution further:

(1) approves the indemnification of various parties
(2) acknowledges the waiver of the City's right to a jury trial under certain circumstances
(3) acknowledges proposed waiver requirements pursuant to Sections 12B.5-1(d) and 12C.5-1(d) of the San Francisco Administrative Code with regard to certain agreements authorized by the proposed resolution
(4) approves and authorizes the execution and delivery of any document necessary to implement the proposed resolution
(5) ratifies and approves any action heretofore taken in connection with the transaction contemplated by the proposed resolution; and related matters.

Description: The proposed resolution authorizes Muni to conduct a leveraged lease-leaseback transaction of up to 118 of its Breda light rail vehicles. The Breda vehicles are currently in service on Muni Lines J, K, L, M, and N. The purpose of the proposed transaction is to provide one-time revenue to the City (Muni), estimated by Muni to be approximately $33 million. (See Comment No. 3.)

The purpose of the proposed transaction is to leverage an asset that Muni already owns to generate one-time revenue of approximately $33 million. To do this, Muni would transfer the "tax ownership" of up to 118 of its Breda Light Rail Vehicles to a group of private investors consisting of CIBC Capital Corporation, Comerica Leasing Corporation, Wells Fargo Bank Minnesota, N.A. Australia and New Zealand Banking Group Limited. For purposes of the proposed transaction, this group of private investors is collectively known as the Equity Investors. Such a transfer would allow the private investors to depreciate the vehicles and deduct transaction-related expenses on their Federal income tax return and thereby

defer payment of Federal income taxes. In exchange for this benefit, the Equity Investors would pay Muni a one-time cash payment of approximately $33 million.

Through the proposed transaction, Muni would lease up to 118 Breda LRVs that it currently owns to a Trust established by the Equity Investors (CIBC World Markets, Comerica, Wells Fargo, and ANZ). As explained in Attachment IV, six trusts would actually be formed. For the purpose of simplicity, this report refers to a single Equity Investors' Trust. The Trust would pre-pay Muni a lump sum representing the present value of the lease payments over the life of the lease, under the Head Lease agreement (with Muni as Lessor and the Trust as Lessee). The lump-sum payment would total $388.1 million and consist of approximately $102.6 million in an equity contribution to the Trust by the Equity Investors and a loan from a private Lender (FSA Global Funding Limited) to the Trust of approximately $285.5 million. The Trust would, in turn, sublease the vehicles back to Muni.

Muni would deposit $355.1 million into two separate escrow accounts. One such account would be to repay the $285.5 million portion of the lump-sum payment received from the loan to the Equity Investors. The other escrow account would be $69.6 million to repay the equity portion of the lump-sum payment. The $69.6 million, combined with interest earnings, would provide sufficient monies to repay the $102.6 million equity contribution by the Equity Investors. The $33 million difference between the $388.1 million lump-sum payment to Muni and the $355.1 million that Muni would deposit in escrow accounts results in the net one-time revenue gain to Muni. As stated previously, the actual one-time revenue benefit to Muni may be more or less than $33 million, depending upon interest rates on the closing date of the transaction. The monies in escrow would fund the 27 annual sublease payments and the purchase option to be made by Muni to the Trust (see Comment No. 15).

Ms. Harrington advises that the equity portion would be invested in Refcos or other U.S. government full faith and credit-backed obligations. Ms. Harrington advises that

Refcos are securities issued by the Federal Resolution Trust Corporation. The loan contribution would be placed with a Debt Payment Undertaker, Premier International Funding Co., under a payment agreement, guaranteed by Financial Security Assurance (FSA).

The equity escrow deposit and its related interest earnings, combined with the loan portion escrow deposit, would fund the sublease payments that Muni would be required to make to the Trust established by the Equity Investors, over the 25 to 27-year term (depending upon the age of the vehicle being leased) of the sublease. Thus, the payment obligations over the life of the sublease would be "economically defeased."[1] (See Comment No. 7(e). Ms. Harrington advises that Muni's external auditors have advised Muni that the annual sublease payments would not have to be appropriated through Muni's annual operating budget.

The Equity Investors could then depreciate the assets for Federal income tax purposes and thus defer payment of Federal income taxes. The Equity Investors would also be able to defer payment of Federal income taxes by deducting the interest expense associated with the loan portion of the lump-sum payment to Muni as well as transaction-related expenses. Ms. Harrington advises that the total estimated tax benefits to the Equity Investors has not been disclosed to Muni but that an 8 percent rate of return is the benchmark rate for this type of transaction. Based on the amount of the $388.1 million lump-sum payment to Muni and an 8 percent rate of return, the Equity Investors would realize approximately $31 million in tax benefits.

Since "tax ownership" of the up to 118 Breda LRVs, but not actual ownership, would be transferred to the Equity Investors, Muni would be required to maintain and repair

[1] Defease- to place the proceeds from the lump sum payment in an irrevocable trust and invest it in U.S. Treasury securities or U.S. Agency securities backed by the full faith and credit of the U.S. government. The proceeds invested, and the related interest earnings, would fund the required sublease payments and the purchase option. Thus, the City's payment obligation would be "economically defeased." It would not, however, be legally defeased because the City would remain responsible for making the sublease payments over the life of the sublease.

the subject vehicles. Attachment IV describes such maintenance and repair obligations in detail. Attachments III and IV, provided by Muni, also include additional detail regarding the proposed transaction.

In response to the request of the Budget Analyst, the following documents were prepared by Muni and are included as Attachments to the Budget Analyst report:

Attachment I- Muni's Estimated Transaction Expenses
Attachment II- Muni's Estimated "Broken Deal Costs"
Attachment III- Memo from Muni to the Finance Committee providing an overview of the proposed transaction
Attachment IV- Memo from Muni to the Finance Committee providing a detailed explanation of the transaction
Attachment V- Memo from Muni to the Finance Committee regarding Muni's proposed uses of the anticipated one-time revenue
Attachment VI- Attachment from Muni showing the termination value payable by Muni to Strip Surety Policy Provider(s) if the proposed transaction terminates at any point in time over the life of the transaction
Attachment VII- Table from Muni showing other transit jurisdictions that have completed transactions similar to the one proposed
Attachment VIII- Memo from Muni to the Finance Committee detailing the bid processes used to select the Equity Investors and the Lender/Surety Provider and Payment Undertaker
Attachment IX- Letters from the Federal Transit Administration (FTA) to Muni approving the proposed transaction

Comments:

1. Ms. Harrington advises that the City, rather than Muni, would be the signatory to the proposed transaction. However, she further advises that Muni intends to bear the financial risks (see Comment No. 7) of the transaction, barring catastrophic events since Muni would receive the financial benefits of the transaction (the one-time revenue). Ms. Harrington explains that Strip Surety Policy is similar to "gap" insurance coverage and it

protects the Equity Investors should the transaction terminate early and the funds in escrow are insufficient to repay the Equity Investors the amount they are owed. Ms. Harrington further explains that if a Strip Surety Policy provider is required to repay the Equity Investors, the Strip Surety Policy provider could then seek reimbursement from the City through a legal claim against the City.

2. Ms. Harrington advises that while the original intent of the proposed transaction was to provide funds for safety and security-related capital projects, Muni now anticipates that up to approximately $15.9 million of the anticipated $33 million in one-time revenue may be used to cover anticipated shortfalls and mandatory expenditure increases in Muni's FY 2001-2002 current operating budget and the FY 2002-2003 operating budget. As stated on page 2 of Attachment V provided by Muni, Muni anticipates a revenue shortfall of approximately $17 million in FY 2001-2002. In FY 2002-2003, Muni anticipates a revenue shortfall of approximately $23.5 million as well as mandated expenditure increases of approximately $15.2 million, resulting in an anticipated budget gap of approximately $38.7 million. Attachment V explains how Muni anticipates using approximately $5 million of the proposed one-time revenue of $33 million to balance its FY 2001-2002 budget and approximately $10.9 million of the proposed one-time revenue of $33 million to balance its FY 2002-2003 budget. Ms. Harrington advises that the remaining approximately $17.1 million ($33 million less $5 million less $10.9 million) (or more if the projected budget shortfalls are less than anticipated) would be available to fund capital projects.

Ms. Harrington further advises that using a portion of the revenues from the proposed transaction would be consistent with the November 1999 Proposition E requirement that Muni seek alternative revenues to alleviate its reliance on the General Fund. Ms. Harrington advises that if the current recession is longer or more severe than anticipated, Muni would implement additional budgetary reduction measures in FY 2002-2003

or beyond. Ms. Harrington advises that Muni is currently developing such measures.

3. Ms. Harrington advises that the proposed transaction is highly sensitive to changes in interest rates for the types of securities in which the lump sum payment would be invested in either U.S. Treasury securities or U.S. Agency securities. Ms. Harrington further advises that Muni currently estimates that the one-time revenue will be $33 million. However, Ms. Harrington further advises that the actual one-time revenue will depend upon interest rates when the transaction closes (or is finalized). Ms. Harrington advises that Muni anticipates that this will occur by April 12, if this resolution is approved by the Board of Supervisors. Ms. Harrington explains that the estimate of $33 million assumes an interest rate of 5.80 percent for the equity portion of the lump-sum payment that is placed in escrow.

Mr. Murphy McCalley of McCalley Consulting, a financial advisor to Muni, explains that the relationship between changes in interest rates and changes in the one-time revenue which Muni would receive is that a 100 basis point[2] change in interest rates would have a 400 basis point impact to the one-time benefit in the same direction. This means, for example, that if the interest rates decrease 10 basis points or 0.10 percent from the assumed 5.80 percent to 5.70 percent, the one-time revenue would be 40 basis points or 0.40 percent less than the approximately $33 million if rates were 5.80 percent. This would mean that the one-time revenue would be $1,320,000 less than if the rates were 5.80 percent on the closing date rather than 5.70 percent. Likewise, if the rates are higher than 5.80 percent, Muni would receive more than the estimated $33 million. The interest rate in effect on the date of the closing would determine the amount of the one-time revenue that Muni receives. Until the closing date, the exact amount of one-time revenue that Muni would receive will not be known. The resolution states that the proposed transaction "shall generate a net

[2] Basis point- the smallest measure used in quoting yields on bonds and notes. One basis point is 0.01% of yield. Thus, 100 basis points is 1%.

present value benefit to the City of not less than 6 percent." Ms. Harrington advises that Muni's estimate of $33 million in one-time revenue is based upon an assumption of a net present value benefit of approximately 8.5% percent of the appraised value of up to 118 Breda LRVs of $388.1 million.

4. Ms. Monique Moyer of the Mayor's Office of Public Finance advises that she supports the proposed transaction as a way for Muni to raise a significant amount of cash by leveraging an asset that it already owns. She further notes that while the length of the transaction is quite long (the sublease term is 25 to 27 years, depending on the estimated useful life of a given vehicle), she believes it is acceptable because Muni is a perpetual entity. She advises that she believes the primary risk is of early termination (see Comment No. 7(a)(1) and Attachment IV). She further advises that the proposed transaction will constrain the Board of Supervisors ability to dispose of the Breda LRVs prior to the end of the sublease term.

Ms. Moyer further advises that while she believes the transaction has much more risk than the City is accustomed to taking, the Muni finance and legal team has carefully analyzed those risks and Muni is satisfied that such risks are reasonable. Ms. Moyer further advises that she has discussed the risks and proposed mitigation of those risks with Muni's staff and advisors as well as with the Controller. However, she advises that she has not reviewed the documentation for the transaction and thus, there could be other terms of which she is not aware. She further states that if proposed transaction terminates early, the cost to the City would be enormous. However, she adds, the likelihood of the transaction terminating early is extraordinarily remote and some of the circumstances under which it could terminate are within Muni's control. Some are not, however, she adds.

5. Ms. Harrington advises that if the Board of Supervisors or Muni wanted to replace the Breda LRVs before the end of the term of proposed transaction, it could do so but it would then have to maintain and store the leveraged

LRVs until the purchase option (see Comment No. 15) is exercised at the end of the sublease term. Ms. Harrington notes, though, that the fleet could be sub-subleased to another U.S. transit system before the end of the proposed sublease. Ms. Harrington advises that Muni would require the sub-subleasing transit agency to maintain and insure any vehicles, but Muni would retain the legal sublease obligations regarding maintenance and insurance in the event the sub-sublessee failed to meet those requirements. Ms. Harrington advises that the Santa Clara Valley Transit Authority is in the process of negotiating a sub-sublease of its obsolete equipment to another transit agency in order to avoid terminating its tax advantage lease.

Ms. Harrington further advises that aside from the Boeing fleet of light rail vehicles that were recently retired, Muni has historically retained vehicles for 30 years and therefore, the likelihood of replacing the LRVs before the end of the sublease term would be remote. Ms. Harrington explains that Muni experienced significant reliability problems with the Boeing fleet and such problems resulted in the retirement of the fleet after 20 rather than 30 years. Ms. Harrington advises that some of the LRVs in the Boeing fleet were sold and some were permanently retired. Ms. Harrington adds that any LRVs no longer useful to Muni go through the City's process for disposal of surplus property. Ms. Harrington adds that Muni's has no information that would lead it to believe that the Breda LRVs would last less than 30 years.

With regard to the possibility of replacement of the LRVs due to obsolescence, Ms. Harrington advises that although parts of Breda LRVs may become obsolete, the LRVs themselves will not. Ms. Harrington advises that it is standard practice in the industry to rebuild and continue to use the LRVs. Ms. Harrington adds that the proposed transaction would not prohibit Muni from rebuilding and continuing to use the LRVs in the future.

6. Ms. Harrington advises that the degree of total potential risk to the City would vary depending on upon the circumstance. She advises that the worst case

scenario would be an early termination due to a default by Muni. If that occurred, Muni (and thus the City) would be liable to pay the termination value, as explained below. Ms. Harrington advises that most of the termination value would be paid from the monies held in the debt payment and equity escrow accounts. Ms. Harrington explains that should sufficient funds not be available from those sources, the strip surety policies from FSA and/or ACE Guaranty Re, Inc. would pay the difference. However, those insurers could then seek recourse from Muni. With regard to the City's potential financial risks, Mr. Robert Bryan of the City Attorney's Office advises that based upon the structure of the proposed transaction, the City could not be forced to use General Fund monies to meet any such obligation.

As shown in Attachment VI, the termination value could be a maximum of approximately $125.7 million in December 2014. In December 2003, it would be approximately $71.1 million; in December 2024, it would be approximately $49.8 million. Attachment VI, provided by Muni, shows the scheduled termination values over the life of the proposed transaction.

7. Muni has identified the following financial risks associated with the proposed transaction as well as ways to mitigate such risks. Attachment IV addresses these risks, as well.

(a) Early Termination Risk-
This is the risk that the transaction would be terminated before the Purchase Option date of January 2028. As a result, Muni would be responsible for "termination payments" as well as the remaining sublease payments (the funds for which would be in the escrow accounts). As explained in Attachment IV, the most likely reasons for an early termination would be a default by Muni, obsolescence of the LRVs, or a catastrophic event which destroys the LRVs.

As stated previously, the source of funds to pay for an early termination would be the funds held in escrow, assuming such funds have earned sufficient interest to

cover such payments. If the required termination payment exceeds the investment principal plus interest earned to date, an insurance policy (Financial Security Assurance) would cover the difference. However, Ms. Harrington advises that Financial Security Assurance would have the right to then seek reimbursement from Muni.

Ms. Harrington advises that the most likely reasons for an early termination would be default by the City, obsolescence of the Breda vehicles, or destruction of a Breda vehicle, or requisition by a third party. Ms. Harrington advises that an example of requisition by a third party would be the unlikely possibility that some other governmental agency (State or Federal) might requisition the vehicles due to some type of emergency.

Proposed Mitigation of Early Termination Risk- According to Ms. Harrington, the early termination risks are mitigated by the fact that a portion of the funds to pay for the remaining sublease payments would be held in escrow and invested in low-risk direct obligations of the U.S. Government or investment securities secured by direct obligations of the U.S. government.

As stated previously, FSA and/or ACE Guaranty Re, Inc. Strip Surety Policies would be available if the defeased funds were insufficient. FSA and/or Ace Guaranty Re, Inc. could then seek reimbursement from Muni.

Further, Muni has obtained third-party insurance on the Breda fleet which would provide funds for an early termination due to reasons other than an earthquake, war, or terrorism. Ms. Harrington advises that Muni has committed to obtaining $200 million in insurance coverage with a $40 million deductible and may purchase additional insurance. Ms. Harrington advises that the $40 million value of the deductible amount is the estimated value of the 12 LRVs that would be held back from the transaction.

Ms. Harrington advises that the early termination risk is further mitigated by the fact that Muni can control many of the actions that could trigger a default (and thus an early termination), such as failure to properly maintain or insure the LRVs, failure to make sublease payments which is unlikely because funds held in the two escrow accounts are available for this purpose. Ms. Harrington notes that to date, none of the more than 30 similar transactions nationwide involving transit agencies have terminated early for any reason. Attachment VII, provided by Muni, lists other jurisdictions that have conducted leveraged lease-leaseback transactions.

(b) Breach of Contract Risk- This is the risk that the Equity Investors would not receive their Federal tax benefits related to the proposed transaction as a result of an action, or lack of action, by the City as required by the proposed transaction agreements. (While such actions or non-actions would be carried out by Muni, this section refers to "the City" because the City is the signatory to the proposed transaction.) Ms. Harrington advises that an example of how the City could breach the contract would be if the City misrepresents information about the Breda LRVs to the Equity Investors in the preparation for the transaction. Ms. Harrington advises that as long as the City and Muni do what they have agreed to do under the transaction's documents, such a risk would be minimized. Ms. Harrington advises that the Equity Investors would bear the risk that Federal tax law may change and they would not, as a result, be able to receive the tax benefit associated with depreciation of assets.

Proposed Mitigation of Breach of Contract Risk- Muni's Finance section will monitor whether the City is complying with such provisions.

(c) Tax Risk- Mr. McCalley advises that there are four components to tax risk, one of which is borne by the Equity Investors and three of which are borne by the City. Mr. McCalley advises that, as explained above, the Equity Investors would bear the risk that Federal

tax laws may change and they would no longer be able to reap the tax benefits of depreciating the transferred assets (the Breda LRVs). According to Mr. McCalley, the only circumstance under which the City could be held responsible for this would be if the tax benefits were lost because the City misrepresented information about the Breda vehicles.

Mr. McCalley advises, though, that the City would be responsible for three other tax risks. The proposed resolution would indemnify the Equity Investors for such risks. These include the risk that Sales Tax, Property Tax, or Withholding Tax could be imposed on the transaction. Sales tax risk refers to the possibility that transfer of LRVs to the Trust would be subject to State Sales Tax. Property Tax risk refers to the possibility the Assessor would impose Property Taxes on the transfer of the LRVs to the Trust. Withholding Tax risk refers to the possibility that a change in tax law would subject the proposed transaction to Withholding Tax, an event that Muni officials believe is highly unlikely.

<u>Proposed Mitigation of Tax Risk</u>- Sales Tax risk is mitigated by State legislation approved in October of 2001 that exempts lease-leaseback transactions executed before 2004 from State Sales Tax. Ms. Harrington advises that even if the exemption is not extended beyond 2004, the proposed transaction would not be affected. Property Tax risk is mitigated by a commitment Muni has received from the current Assessor, stating that she will not impose Property Taxes on the transaction. However, as explained in Attachment IV, this does not necessarily eliminate the risk that future Assessors may take a different position. Lastly, Muni believes that a change in Federal tax law that would result in making the transaction subject to Withholding Taxes is unlikely because such a change would, in effect, be retroactive and would adversely impact trillions of dollars of such transactions.

(d) Risk of Bankruptcy of either Trust or of Equity Investors- According to Mr. McCalley, this is the risk that the Equity Investors go bankrupt and the bankruptcy judge determines that the escrow accounts, holding the funds for the sublease payments, are part of bankruptcy assets.

Proposed Mitigation of Risk of Bankruptcy of Trust or Equity Investors- Mr. McCalley advises that this risk is mitigated by the use of a Special Purpose Trust (the "Trust") that is "bankruptcy-remote." He advises that bankruptcy attorneys have advised that this means the Trust could not be included in the bankruptcy assets.

(e) Credit Risk- The City's obligations to make the sublease payments would be economically defeased on the closing date of the transaction through the City's deposit in escrow of the loan and equity portions of the lump-sum payment paid to the Trust. However, the City would still be legally obligated to make the sublease payments. The risk, then, is the possibility that the sublease payments may not be made.

Proposed Mitigation of Credit Risk- The risk associated with the Debt Payment Undertaker (the loan portion of the lump-sum payment) would be mitigated in two ways: through insurance provided by an Aaa/AAA rated insurer and through the ability to replace the Debt Payment Undertaker or the insurer if the insurer's credit rating is downgraded. The risk associated with the equity investment portion would be mitigated by investing in low-risk, fixed-rate securities backed by the full faith and credit of the U.S. government.

(f) Operational Risks- Under the proposed transaction, Muni will be responsible for maintaining and repairing the Breda LRVs during the term of the sublease. If any LRV must be permanently removed from service, Muni would be responsible for compensating the Equity Investors for the LRV and corresponding loss of tax depreciation benefits.

Proposed Mitigation of Operational Risks- Muni would "hold back" 12 vehicles from the proposed transaction, for the purpose of substituting one of the 12 if one of the vehicles involved in the proposed transaction is permanently removed from service. If Muni were unable to provide a "holdback" vehicle as a replacement, insurance proceeds would compensate the Equity Investors instead. Ms. Harrington notes that Muni staff are aware of only one instance in the last 25 years when a Muni light rail vehicle was destroyed due to an accident.

8. Ms. Harrington advises that the Equity Investors, as well as the loan and guaranty surety providers, were selected through a competitive bid process. She advises that the firms offering the highest economic return to Muni were selected as the Equity Investors. Ms. Harrington further advises that the loan and guaranty surety providers were selected based on the lowest bid. An explanation of the bid process and a summary of the bids received is included in Attachment VIII, provided by Muni. Ms. Harrington advises that the group of investors consisting of CIBC Capital Corporation, Comerica Leasing Corporation, Wells Fargo Bank Minnesota, N.A. Australia and New Zealand Banking Group Limited submitted a bid that would provide the highest economic return to Muni, resulting in an estimated $33 million one-time revenue gain for Muni. Ms. Harrington advises that bids were submitted based on the percentage of vehicle market value that the Equity Investors would pay Muni, as described in Attachment VIII. Ms. Harrington notes that the economic benefit data included in Attachment VIII was based on the May 2000 estimate of the number of LRVs included in the proposed transaction. That number has since increased and therefore, the current estimate of the net economic benefit is higher than that shown in Attachment VIII. The next highest bid was submitted by Fleet Bank.

Ms. Harrington notes that since 1995, CIBC has been involved in more than 30 transactions similar to the proposed transaction and valued at more than $5 billion involving U.S. transit agencies. Ms. Harrington further

advises that Wells Fargo and Comerica, also have experience as Equity Investors in leveraged lease-leasebacks. Specifically, Ms. Harrington advises that Wells Fargo is an Equity Investor in such transactions with Los Angeles County MTA and Caltrans, as well as in Seattle. Ms. Harrington advises that Comerica is an Equity Investor in Los Angeles County MTA as well as with other transit agencies in Dallas and Seattle. Ms. Harrington also advises that FSA has served as surety provider for 30 such transaction and as Lender in more than 10 such transactions.

9. Assistant City Risk Manager Nancy Johnston-Bellard advises that she has reviewed all documents related to the proposed transaction. Based upon this review, she advises that she believes the City's risk related to the proposed transaction is well-managed. Ms. Johnston-Bellard advises that "well managed" means the City has taken appropriate action prior to entering into the proposed transaction to mitigate the risk that the City could be held responsible for the liability of one of the other parties and thus is responsible only for its own actions.

10. Ms. Harrington advises that Muni anticipates carrying out another leveraged lease-leaseback transaction that would close by the end of the first quarter of calendar year 2003. Ms. Harrington advises that transaction would involve an additional 21 LRVs in the Muni Breda LRV fleet. Muni estimates that such a future transaction would result in $5.9 million in one-time revenue to Muni, based on the assumptions surrounding the proposed current transaction. Such a subsequent transaction would also require Board of Supervisors approval at that time.

11. The proposed resolution would approve the key agreements related to the transaction (Participation Agreements, Head Lease Agreements, Head Lease Supplements, Sublease Agreements, Sublease Supplements, Payment Agreements, Equity Collateral Security Agreement, Custody Agreement, Support and Access Agreements, Agreements for Assignment on

Default, Tax Indemnification Agreements, Insurance and Indemnity Agreements) in "substantially the form presented to the Board." With regard to each of these documents, however, the proposed resolution further authorizes the Mayor or his designee, who, according to Ms. Harrington, would be the Director of the Municipal Transportation Agency (MTA) who is the same person as the General Manager of Muni, to execute such agreements and "make such modifications, changes, or additions to said documents as may be necessary or advisable provided that such modification, change, or addition does not extend the term of the sublease beyond thirty (30) years or provide for a net present value benefit to the City of less than 6% of the appraised value of the Rail Cars." Ms. Michelle Sexton of the City Attorney's Office advises that such language is similar to language typically included in legislation to approve bond issuances.

However, the Budget Analyst notes that the subject transaction is more complex, less routine, and exposes the City to more risk than a bond issuance. Therefore, the Budget Analyst recommends that such language be amended to further state that such changes, additions or modifications made by the Mayor or the Mayor's designee should not substantially alter the agreements as approved by the Board of Supervisors and that any substantive changes would require Board of Supervisors approval.

The proposed resolution also authorizes and directs "the proper officers of the City.....to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, including but not limited to those documents described in the Transaction Summary or the sublease and other documents herein approved...." The Budget Analyst recommends amending such language to state that such actions should not substantially alter the substance of the transaction as approved by the Board of Supervisors.

12. The proposed resolution states that the City "will waive its right to a jury trial in any suit, action, or proceeding arising as a result of a breach by the City of a

monetary obligation under any of the documents to which the City is a party and the Transaction." Ms. Sexton, of the City Attorney's Office, states that it is highly unusual for the City to waive its right to a jury trial. She notes, however, that such a waiver in this instance is limited solely to a "breach by the City of a monetary obligation under any of the documents to which the City is a party under the Transactions." She advises that Muni requested that such language be included in the proposed resolution because no other similar transactions (in other governmental jurisdictions) have been approved without such language. She advises that the concern of the Equity Investors is that the proposed transaction is too complicated for review by a jury. She further advises that the most likely breach by the City that would be governed by this provision would be the City's failure to make the required sublease payments to the Trust. However, she notes that it is highly unlikely the City would fail to make such payments because the City's obligation will have been economically defeased and thus funds held in escrow would be available for the regularly scheduled payments.

13. The proposed resolution includes a provision to waive the requirements of Sections 12B and 12C, the non-discrimination provisions of the San Francisco Administrative Code for any agreement authorized by the proposed resolution to which the City and any of the following are parties: (a) Lender (b) Strip Surety Provider (c) Equity Investor and (d) Debt Payment Undertaker (see Attachment III). Ms. Harrington advises that such waivers are necessary because the Equity Investors CIBC, Comerica, and ANZ are not in compliance with such nondiscrimination provisions. In addition, Strip Surety Policy Providers ACE Guaranty Re, Inc. and FSA are also not in compliance. Nor are Debt Payment Undertaker Premier International Funding Co. or the Lender FSA Global Funding Limited in compliance. Ms. Harrington advises that Wells Fargo and State Street Bank are in compliance with Section 12B.

14. Ms. Harrington advises that MTA Board of Directors approved the proposed transaction on November 20, 2001 through Resolution No. 01-115. Ms. Harrington advises

the Federal Transit Administration (FTA) approved the proposed transaction in January of 2002. Ms. Harrington advises that FTA approval is required because the light rail vehicles involved in the transaction were funded through a combination of FTA grants, State rail bond funds, and Proposition B capital grant funds. Ms. Harrington further advises, as stated on page 7 in Attachment IV, that the "FTA strongly supports the efforts of transit agencies to undertake 'innovative financing' initiatives" such as the proposed transaction. Attachment IX, provided by Muni, includes two letters from the FTA in support of the proposed transaction.

15. Ms. Harrington notes that Muni has the option to purchase the 118 LRVs at the end of the sublease term (purchase option) in approximately 27 years for $1,015,275,352. Ms. Harrington explains that at the start of the transaction, Muni would be defeasing the future sublease payments and the purchase option amounts by placing the $355.1 million into escrow. Ms. Harrington advises that the purchase option includes final loan payments on the loan portion as well as equity investment repayment, with interest over 27 years. Ms. Harrington advises that the funds placed in escrow will grow to the amount required to defease these obligations. Ms. Harrington advises that the purchase option will be automatically exercised unless Muni acts to choose not to exercise it.

16. Due to the uncertainty regarding the specific amount of the one-time revenue Muni will collect (currently estimated at $33 million) as a result of the proposed leveraged lease-leaseback (because of the potential for fluctuations in interest rates), and the complex nature of the transaction, the Budget Analyst recommends that the Board of Supervisors amend the proposed resolution to require Muni to report back to the Board of Supervisors after Muni has completed the proposed transaction. Such a report should include: (a) specific information on the actual amount of the one-time revenue received and how Muni plans to use such revenue and (b) information on any changes in the transaction since its approval by the Board of Supervisors.

17. Attachment VII, provided by Muni, lists other jurisdictions that have completed leveraged lease-leaseback transactions similar to the one proposed by Muni. Ms. Harrington notes that such California jurisdictions include: (a) the Southern California Regional Rail Authority (b) the Peninsula Corridor Joint Powers Board (c) Bay Area Rapid Transit (BART) (d) Los Angeles County Metropolitan Transit Authority and (e) State of California Caltrans among others as shown in Attachment VII. Ms. Harrington advises that Muni is not aware of any instance to date in which any such public transit agencies suffered an economic loss as a result of such a lease-leaseback transaction.

18. Ms. Harrington advises that expenses related to the proposed transaction to be paid by Muni are estimated to be $9,939,914 (the $33 million one-time revenue gain to Muni is net of transaction expenses of $9,939,914) and would include the costs of a surety guaranty premium, legal counsel for all parties, lender's fees, financial advisory services, appraisal fees and trustee costs.

19. Attachment II, provided by Muni, shows that Muni would have to pay to various legal firms, City departments, and other parties a projected $1,670,000 in "broken deal expenses" if the subject resolution is not approved by the Board of Supervisors and/or the Mayor. These expenses consist primarily of legal costs incurred by the various parties to the transaction including Muni. Ms. Harrington advises that it is a standard industry practice in this type of transaction for the transit agency to pay such legal costs on behalf of the other parties to the transaction.

20. In the professional judgment of the Budget Analyst, this "broken deal expense" provision is highly unusual and is not in the best interests of the City. In this situation, Muni is effectively advising the Board of Supervisors that if the Board of Supervisors does not approve the subject proposed resolution, Muni (see Attachment IV, page 11) will have to pay $1,670,000 in broken deal expenses, including $955,000 incurred by the

Equity Investors, FSA and the Trustee, as shown in Attachment II. The Budget Analyst would never recommend that such a provision be included in legislation submitted to the Board of Supervisors. Mr. Robert Bryan of the City Attorney's Office advises that as a legal matter, the MTA Board has the authority to enter into contracts to pay the broken deal expenses even if the transaction is not approved by the Board of Supervisors. Mr. Bryan advises that there are letter agreements signed by the MTA that the MTA could formalize in order to pay such expenses. However, the point that the Budget Analyst makes is that if the Board of Supervisors and the Mayor do not approve this proposed resolution, such disapprovals automatically require the Muni to pay broken deal expenses of $1,670,000.

Recommendations:

1. In accordance with Comment No. 11, amend the proposed resolution as follows:

(a) on page 14, line 13, at the end of the paragraph, insert the following language: "Any changes, additions or modifications by the Mayor or his designee should not substantially alter the agreements as approved by the Board of Supervisors. If any such changes, additions or modifications are substantive, additional Board of Supervisors approval is required."

(b) on page 14, line 25, at the end of the paragraph, insert the following language: "Any such agreements or actions should result in a transaction that is substantially the same as that approved by the Board of Supervisors. If such agreements or actions result in a transaction that differs substantially from that approved by the Board of Supervisors, additional Board of Supervisors approval is required."

2. In accordance with Comment No. 16, amend the proposed resolution to require Muni to report back to the Board of Supervisors after Muni has completed the proposed transaction. Such a report should include: (a) specific information on the actual amount of the one-time revenues received and how Muni used such revenues and

(b) information on any changes in the transaction since its approval by the Board of Supervisors.

3. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors because: (a) the proposed transaction would limit the City's ability to retire the leased Breda vehicles until 2028, (b) according to Ms. Harrington, Muni proposes to use up to $15.9 million of the anticipated one-time revenue gain of $33 million to Muni to fund projected budget shortfalls and mandatory expenditure increases rather than to fund one-time capital projects (c) the proposed transaction includes six risk factors as itemized in Comment No. 7 that could expose the City to unknown future costs (d) the proposed resolution would waive the City's right to a jury trial (e) the proposed resolution would waive the non-discrimination requirements of Sections 12B and 12C of the City's Administrative Code and (f) the Muni will be obligated to pay "broken deal expenses" of $1,670,000 if the Board of Supervisors and/or the Mayor disapproves this proposed resolution.

MUNI
First Tranche

Estimated Transaction Expenses (02/10/2002)

Equipment Cost	$388,156,000	100.00%
	Projected	*% of e.c.*
Legal Counsels	1,235,000	0.32%
Insurance Premiums (Property, Surety)	3,754,588	0.97%
Lender/PUA Fees	875,000	0.23%
Trustee/Custodian	291,000	0.07%
Advisors/Consultant/Appraiser	3,664,326	0.94%
Miscellaneous	120,000	0.03%
Total Estimated Expenses:	$9,939,914	2.56%

MUNI
First Tranche

ESTIMATED "BROKEN DEAL" EXPENSES		
Equipment Cost	$388,156,000	100.00%
	Projected	*% of e.c.*
Expenses Incurred by Equity Investors, FSA, Trustee	955,000	0.25%
Expenses Incurred by Muni:		
External Attorneys	415,000	0.11%
Services of City Departments	300,000	0.08%
Total Estimated Broken Deal Expenses	1,670,000	0.43%

Municipal Transportation Agency
City and County of San Francisco

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration

Date: March 12, 2002

Subject: Proposed Muni Lease-Leaseback Transaction

The purpose of this memorandum is to provide the Finance Committee with a high level description of the San Francisco Municipal Railway's proposed leveraged lease-leaseback transaction involving its Breda Light Rail Vehicles (the "Breda Vehicles"). This memorandum will supplement the information provided to the Committee by the Budget Analyst.

Brief Description of Transaction

This transaction does not involve the financing or procurement of any new vehicles. Instead, Muni's objectives are to obtain a one-time cash payment in exchange for transferring the tax benefits associated with its Breda Vehicles to private parties (known as "Equity Investors"), without impairing the day-to-day operations of the transit system, and while minimizing the financial risks that are associated with the transaction. So long as the City and Muni meet their obligations under the transaction, such as maintaining the Vehicles to the industry standards, Muni will maintain "quiet enjoyment" of the Breda Vehicles.

Below are a set of questions and answers concerning the transaction.

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Who Are the Parties in the Transaction?

Title and Role in Transaction	Entity
Head Lessor & Subleasee (Leases Vehicles to Equity Investors' Trust, and subleases Vehicles back)	City and County of San Francisco
Head Lessee & Sublessor (Leases Vehicles from City, and subleases Vehicles back to City)	Single Purpose Trust created by Equity Investors ("Equity Investors' Trust")
Equity Investors	- CIBC Capital Corporation - Comerica Leasing Corporation - Wells Fargo Bank, Minnesota N.A. - Australia and New Zealand Banking Group Limited ("ANZ")
Lender (Makes loan to Equity Investors' Trust)	FSA Global Funding Limited ("FSA")
Debt Payment Undertaker (Similar to a paying agent, responsible for making payments from an escrow account to Lender when due)	Premier International Funding Co.
Guarantor of Payment Undertaker	Financial Security Assurance ("FSA")
"Strip" Surety Policy Provider[1] For CIBC, Comerica and ANZ	Financial Security Assurance ("FSA")
"Strip" Surety Policy Provider For Wells Fargo[2]	ACE Guaranty Re, Inc.
Trustee/Custodian	State Street Bank & Trust of California

1 A "Strip Surety Policy" is similar to "gap" insurance coverage. which insures that the Equity Investors will be made financially whole in the event that the transaction terminates early and the funds in escrow are insufficient make all of the payments that they are owed.
2 Wells Fargo currently has surety policies in place with FSA for other transactions. In order to not be "overexposed" to any individual surety policy provider, they replaced FSA in this transaction with ACE with the City's concurrence.

Please note that the legal documents indicate that the City and County is the obligated party in the transaction, rather than Muni, and as a result, the City is referenced often in this memorandum. However, we expect the financial risks of the transaction to be borne by Muni (recourse is limited to Muni revenues), barring a catastrophic event. The funds received from the transaction would be Muni revenues, and therefore the financial risks should be construed as risks to Muni.

What is the Status of the Breda Vehicle Fleet and How Was It Originally Paid For?

Muni's fleet of Breda Light Rail Vehicles is expected to grow to 151 vehicles by the end of calendar year 2002. Delivery of the Breda Vehicles began in 1996, and there are currently 130 Breda Vehicles in service. The procurement of the vehicles was funded from a combination of Federal Transit Administration (FTA) grants, State rail bond funds, and local Proposition B capital grant funds.

How Does This Transaction Generate Revenue For Muni?

Muni's economic benefit is derived from the transfer of Federal income tax benefits associated with the Breda Vehicles. As a governmental entity, the City and County of San Francisco does not pay tax to the Federal Government and, accordingly, cannot avail itself of the tax benefits associated with the ownership of depreciable property, such as the Breda Vehicles. By contrast, private entities can benefit from depreciating their assets for tax purposes – the annual amount of depreciation associated with an asset is treated as a current expense that offsets current income, similar to an itemized deduction on a personal income tax return.

In a transit vehicle lease-leaseback transaction, the Equity Investors derive Federal tax benefits by recording the depreciation from transit vehicles on their financial statements, and from incurring the tax-deductible expenses associated with the loan and transaction expenses involved in the financing. In exchange for these benefits, the Equity Investors provide a transit agency with an up-front, one-time payment, net of transaction expenses.

How Much One-Time Revenue is Muni Expecting?

The financing has been divided into two parts or "tranches," the first of which will involve 118 Breda Vehicles. An additional twelve Vehicles will be held back and made available for "substitution" purposes. (See discussion below on Risks – Operational Risks). Muni's financial advisors currently estimate that, based on current interest rates, Muni will receive a payment of approximately S33.0 million for the first tranche, net of all expenses incurred in the financing. This is equivalent to 8.5 percent of the $388.1 million appraised fair market value of the vehicles included in the first tranche.

The final amount of the payment to Muni may vary significantly between now and when the financing closes due to changes in interest rates. Increases in U.S. Treasury and related interest rates will increase the net revenue to Muni, while decreases in those interest rates will decrease the revenue, because the final calculation of Muni's revenue is tied to the interest earnings on fixed-rate investments.

The current schedule calls for delivery of the final Breda Vehicles by the end of calendar year 2002. As a result, the second tranche of up to 21 Vehicles is projected to close no sooner than the first quarter of calendar year 2003. Assuming the same level of revenue per vehicle as in the first tranche, the one-time revenue from the second tranche is estimated at $5.9 million. The second tranche would require approval from both the MTA Board of Directors and the Board of Supervisors.

Where Would the Revenues Go?

The revenues are deposited in the Municipal Transportation Fund, which was created by Proposition E (Charter Article 8A.105). All Muni revenues, including the City's General Fund support to Muni, are placed into this Fund and are utilized for operating or capital purposes of the Municipal Transportation Agency.

When Would the Revenue be Legally Recognized?

Muni's understanding is that the revenue from the first tranche can be recognized once the transaction closes, which would be approximately one week after approval by the Board of Supervisors and the Mayor. Muni would then submit a supplemental appropriation request to the Municipal Transportation Agency Board of Directors and to the Board of Supervisors seeking authority to spend some of the proceeds from the transaction.

Have Other Transit Agencies Completed This Type of Transaction?

Yes. Since the early 1980's, transit agencies have undertaken transactions similar to this one, in which they transferred depreciation or other tax benefits to private entities in exchange for an up-front cash payment. For example, the City engaged in "sale and leaseback" transactions involving Muni's Boeing Light Rail vehicles in 1983 and 1985.

As Federal tax regulations and rulings have evolved, and in some cases become more stringent, the structure of these transactions has changed. Currently, other transit agencies have utilized the same type of financing structure as the one described in this memorandum. In 2001 and thus far in 2002, leveraged lease-leaseback transactions have been undertaken by Caltrans, BART, the Peninsula Corridor Joint Powers Board, as well as transit agencies in Los Angeles, Atlanta, St. Louis, Philadelphia, and Seattle. A separate document lists the transit agencies that have completed lease-leaseback deals in the country over the past six years.

Why Didn't Muni Do This Earlier?

Under previous state law, a lease-leaseback transaction such as this one may have been subject to State and Local sales taxes. Prior to October 2001, only the California Department of Transportation had been granted a legislative waiver from state and local sales taxes for these transactions. Other California lease-leaseback transactions involved transit agencies that were subject to the jurisdiction of the U.S. Surface Transportation Board, which exempted them from State and Local sales taxes. That is not the case for Muni. Under the lease-leaseback documents, Muni would have been required to absorb that cost, and at a State and local sales tax rate of 8.25%, the sales tax would have negated the net revenues to Muni.

On October 7, 2001, Governor Davis signed Assembly Bill 984 ("A.B. 984") into law. A.B. 984 provides a sales and use tax exemption for the lease-leaseback of transit "qualified equipment" (including vehicles). This exemption "sunsets" on January 1, 2004. The Bill requires the State Legislative Analyst to conduct a study of the exemption and to submit a report to the Legislature by January 1, 2003. The results of this study will influence whether this exemption may be renewed.

Municipal Transportation Agency
City and County of San Francisco

To:	Members of the Finance Committee Board of Supervisors
From:	Michael T. Burns Director Municipal Transportation Agency Virginia Harrington Deputy General Manager, Finance & Administration
Date:	March 20, 2002
Subject:	Questions and Answers on the Structure of the Muni Lease-Leaseback Transaction

The purpose of this memorandum is to provide the Committee with a high level description of the structure of the San Francisco Municipal Railway's proposed leveraged lease-leaseback transaction involving its Breda Light Rail Vehicles (the "Breda Vehicles"). The memorandum also addresses the issue of the financial risks to the City in this transaction, and the steps that have been taken to mitigate those risks.

This memorandum will supplement the information provided to the Committee by Muni in a separate memorandum regarding a general overview of the transaction, and in another memorandum on the proposed uses of the revenue from this transaction.

How Does This Financing Work?

The mechanism for transferring depreciation and other tax-related benefits from the City to the Equity Investors is a lease. A "Head Lease" and a "Sublease" are executed simultaneously on the day that the financing closes. Accordingly, these types of transactions are called "lease-leaseback financings." A diagram of the major agreements and parties involved in the transaction is included as Attachment A.

Who Are the Primary Parties to the Head Lease and Sublease?

The City and Single Purpose Trusts ("Equity Investors' Trusts") formed by the Equity Investors. Each Equity Investor will form its own Equity Investor Trust, all of which are identical. Two of the Equity Investors, CIBC and Comerica, will each form two Equity Investor Trusts, so the total number of Equity Investor Trusts involved in the transaction is six (but for the sake of simplicity, this memorandum will continue to refer to a single Equity Investor Trust). That is because CIBC and Comerica are leasing Vehicles with

different remaining useful lives and different purchase option dates (an older Vehicle has a shorter remaining useful life and an earlier purchase option date). CIBC is leasing Vehicles with 54 and 50-year useful lives, and Comerica is leasing Vehicles with 52 and 51 year useful lives.

What is the Purpose of the Head Lease?

The Head Lease is the document under which City will transfer "tax ownership" of the Breda Vehicles to the Equity Investors, so that they can record the depreciation and other tax (interest and transaction expenses) benefits associated with the Breda Vehicles on their financial statements. The Head Lease is also the agreement under which the Equity Investors, through the Equity Investors' Trust, are obligated to pay rent for their "use" of the Vehicles.

What is the Value of the Vehicles Involved?

The 118 vehicles involved in the first tranche have an appraised value of $388.1 million or almost $3.3 million per vehicle on average, based on an independent appraisal conducted in connection with this transaction.

How does the Head Lease Work? What Payments Are Made Under the Head Lease?

The City will lease the Breda Vehicles to the Equity Investors' Trust for a term of up to 69 years for the newest Vehicles. The term of the Head Lease is based on U.S. Internal Revenue Service regulations, which require the Head Lease term to be equal to at least 125% of the useful life of the Vehicles. According to an appraisal, the useful life of the newest Vehicles is 55 years. In contrast, as also required by IRS regulations, the total Sublease term (discussed below) is set at 80 % of the useful life of the Breda Vehicles, so the Sublease term is significantly shorter than the term of the Head Lease.

The Equity Investors' Trust will prepay all of the rent -- that is, the Equity Investors' Trust makes all payments that it will owe to the City throughout the life of the Head Lease on the day of the closing.

How is the Equity Investors' Trust Funded?

The prepayment of the Head Lease rents will be funded by a loan from a private lender (FSA) of approximately $285.5 million to the Equity Investors' Trust equal to 73.6% of the fair market value of the Breda Vehicles and an equity investment made by the Equity Investors in the amount of approximately $102.6 million or 26.4% of the fair market value of the Breda Vehicles. For the first tranche of Breda Vehicles, the total Head Lease payment is $388.1 million – which corresponds to the appraised value of the 118 Breda Vehicles.

Does the Full $ 388.1 Million Go to a Muni Account with the City Treasurer?

No. The bulk of these funds are placed in two escrow accounts on the day that the transaction closes. An amount equal to that portion of the Head Lease payment funded by a loan will be placed in one account pursuant to the Payment Agreement among the Debt Payment Undertaker, the City and the Equity Investors' Trust. An amount equal to that portion of the Head Lease payment funded by the equity investment, less the upfront benefit to Muni and transaction expenses, will be invested in obligation backed by the full faith and credit of the United States (the "Equity Securities"), and held by the Custodian, State Street Bank. These deposits will be disbursed as Muni's sublease rent and purchase option payments (discussed in next sections) come due.

Muni's net revenue from the transaction, after expenses, will be sent to the City Treasurer. That amount is estimated at $33.0 million, based upon current interest rates.

What is the Purpose of the Sublease?

The Sublease provides Muni the right to continue operating the Breda Vehicles even after they have been leased to the Equity Investors' Trust by leasing them back to the City.

When Will the Sublease Expire?

Under the terms of the Sublease, the City will have a Purchase Option in approximately 25 to 27 years, which represents the "base term" of the sublease. As required by IRS regulations, the total Sublease term is set at 80 % of the useful life of the Breda Vehicles, including a "renewal term" that adds the additional years to get to the 80% of the 55-year useful life. As noted above, by IRS regulation, the Sublease Term is significantly shorter than the Head Lease Term. However, once the Purchase Option is exercised, the Sublease and Head Lease will terminate.

The payment of that Purchase Option may be made in four quarterly installments. The Sublease has been written so that the City will not be required to take any action at the expiration of the Sublease term in order to exercise the Purchase Option. The City would be required to take action only if it chose not to exercise the Purchase Option.

What Payments Are Made Under the Sublease?

Under the Sublease, the City will be making periodic rent payments to the Equity Investors' Trust as Sublessor. Those payments. in turn, will repay the loan used to finance the loan portion of the Head Lease and to fund payments to the Equity Investors for providing the equity portion of the Head Lease payment. In effect, the source of the Sublease payments will be the loan and the equity escrows previously described. Interest earnings are retained in the escrow accounts to meet all rent and purchase option payments obligations during the Sublease term.

Will the City Need to Fund Sublease Payments From Its Annual Budgets?

No. The City's scheduled rent payment obligations throughout the life of the Sublease are "economically defeased" on the day of the closing because the funds deposited in the escrow accounts, combined with investment income earned on those funds, are designed to be sufficient to make all scheduled Sublease rent payments, including the Purchase Option payment. However, because the Sublease payments are not "legally defeased", the City will retain the legal obligations associated with the Sublease payments to the extent permitted by law. (See "Financial Risks and Risk Mitigation" for further discussion).

How do the Head Lease and Sublease Payments Combine To Yield Net Revenue to Muni?

A highly simplified description of the cash flows in this transaction is shown below (assuming current interest rates):

- The Equity Investors' Trust Pays the City $388.1 million on date of closing under the Head Lease;
- The City uses approximately $355.1 million on the date of closing to fund all required Sublease payments, including the Purchase Option payments, and transaction expenses; and
- Muni Receives one-time Revenue net of expenses of approximately $33.0 million on the day of closing.

As noted earlier, the estimate of Muni's one-time revenues is highly sensitive to changes in interest rates between now and the date that the transaction closes.

What are Muni's Maintenance and Insurance Obligations?

Under the Sublease, Muni will be required to operate and maintain the Breda Vehicles to the same standards that it uses today. No obstacles to sound maintenance practices are created in the Sublease, and no additional requirements are imposed on Muni.

In connection with this transaction, Muni has committed to purchasing property insurance coverage for the Breda fleet. Muni may carry a deductible of up to $40 million (the approximate value of the 12 Vehicles held back from the transaction), and would obtain coverage up to $200 million. Earthquake damage, and war/terrorism damage is excluded from the coverage. This level of coverage will need to be maintained throughout the 27-year life of the transaction. Even in the absence of this transaction, it makes sense to insure the Breda Vehicle fleet from a business perspective. Muni currently insures a limited number of other types of vehicles and a limited number of its facilities.

What Agreements Will the City and Muni Enter Into?

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City and County of San Francisco

Attachment B lists all of the Agreements that will be executed at the closing of the transaction to which the City is a party. There will be six separate sets of these agreements. Please note that even though there are four Equity Investors, there are six separate Equity Investor Trusts that will be created. That is because CIBC and Comerica are leasing Vehicles with different remaining useful lives and different purchase option dates (Vehicles received earlier have a shorter remaining useful life and an earlier purchase option date).

What Has Been the Approval Process to Date?

The table below summarizes the MTA approval process.

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City and County of San Francisco

Date	Step in Process
4/17/2001	MTA Board authorizes soliciting bids for leveraged lease financing
5/11/2001	Bids received from following potential investors: * CIBC World Markets and its equity investors * Fleet Capital * 1st Union/Wells Fargo * Bank of America Leasing
6/5/2001	MTA Board awards equity investor role to CIBC World Markets team, which bid the highest economic return to Muni
6/20/2001	Final Bids received from the following loan, payment undertakers and strip surety policy providers: * AIG * AMBAC * Financial Security Assurance-Dexia Local Credit
8/21/2001	MTA Board awards loan-related roles to FSA-Dexia, which provided the lowest bid
11/20/2001	MTA Board approves Leases and other Agreements, and authorize Director to select investment instruments

Municipal Transportation Agency
City and County of San Francisco

Does the Federal Transit Administration Approve of These Transactions?

In addition to the approvals required from the MTA Board of Directors and the City's Board of Supervisors, the approval of the Federal Transit Administration ("FTA") is required prior to closing this transaction because the transaction involves vehicles funded in part with FTA grants. This approval was received in February 2002. FTA strongly supports the efforts of transit agencies to undertake "innovative financing" initiatives such as lease-leasebacks, and regularly has approved many of these transactions in the past involving other U.S. transit agencies.

Are There Financial Risks In This Transaction?

Yes, there are financial risks to the City and Muni in entering into this transaction. The goal in structuring the transaction is to minimize those risks. In summary, we are confident that the risks identified below are within Muni's control, and are manageable.

Describe These Financial Risks and How They Are Mitigated?

Tax Risk

In general, the Equity Investors bear the Federal tax risk that the lease-leaseback transaction is properly structured to meet IRS requirements. If Federal tax law changes, or tax rates change, as a result of which the Equity Investors do not receive the level of tax benefits that were initially contemplated, the City will bear no responsibility – unless such loss of tax benefits was caused by a factual misrepresentation by the City about the Breda Vehicles. The tax risk borne by the Equity Investors is the largest risk associated with the transaction.

The City, however, will bear all other tax risks associated with the transaction and will need to indemnify the Equity Investors for such risks. The basic risks relate to: (1) sales tax, (2) property tax and (3) withholding tax.

The sales tax risk is that the transfer of the Breda Vehicles to the Equity Investors' Trust will be subject to State sales tax, thereby negating the benefit. The adoption of A.B. 984 addressed this risk and now specifically exempts lease-leaseback transactions executed before 2004 from sales tax.

The property tax risk is that the City Assessor imposes a property tax on the Breda Vehicles as a result of the transfer to the Equity Investors' Trust. The City has received confirmation from the Assessor that she does not intend to impose a property tax on the Breda Vehicles. Assessors throughout the State also have proved such advice. However, it should be noted that the Assessor's current posture with respect to property tax *does not legally bind future assessors* who may at a later date determine that a property tax should be levied – although the precedent established by the Assessor, and other Assessor's throughout the State should greatly minimize this risk.

Finally, the City bears the risk that the payments made under the Payment Agreement (to fund a portion of the Sublease payments) become subject to withholding tax. Under current Federal tax law, there is no withholding tax applicable to such payments. This risk would arise if there were a change in Federal tax law. Such a change in Federal tax law is extremely unlikely as such a change in law would, in effect, be retroactive and it would adversely impact trillions of dollars of transactions.

Credit Risk Associated with Payment Undertaker and Equity Investment

As noted previously, although its obligations under the Sublease are economically defeased through the escrows established with respect to the loan and equity deposits, the City remains legally obligated for all payments under the Sublease. As a result, the City bears the risk that the payments originating from Payment Undertaker and the Equity Securities will, in fact, be made.

The risk associated with the Payment Undertaker will be mitigated in two ways. First, the Payment Undertaker's obligations under the Payment Agreement will be guaranteed by the Financial Security Assurance ("FSA"), a "Aaa/AAA"- rated municipal bond insurer that has insured several of the City's bond obligations. Second, the City will have the ability to replace the Payment Undertaker or FSA, if FSA's credit ratings were to be downgraded. Muni's Finance section will monitor FSA's rating on an ongoing basis.

The risks associated with the Equity Securities will be mitigated by using U.S. government securities backed by the full faith and credit of the United States (i.e. securities issued by U.S. government agencies).

Bankruptcy of Equity Investors' Trust or Equity Investors

This is the risk that the Equity Investors' Trust or the Equity Investors would enter into bankruptcy and a bankruptcy judge deems the escrows as part of the bankruptcy estate. This risk is mitigated through the use of a Special Purpose Trust that is bankruptcy-remote and whose only business is to participate in this transaction

Operational Risks

As in its usual operations, Muni will continue to bear the risk of operating the Breda Vehicles. Specifically, the transaction would require Muni meet, but not be limited to, the following:

- The need to maintain the equipment and make all necessary repairs and improvements in order to maintain the value and utility of the equipment.
- The need to be in compliance with all applicable state, local, or federal laws and regulations related to the operation and maintenance of the equipment.

- The need to indemnify various parties to the transaction from liability claims arising out of the operation of the equipment.
  The need to maintain clear, unencumbered title to the equipment, with the exception of permitted liens.
- The need to maintain third party property insurance coverage for the equipment.

Most of the above conditions are within the normal operations of Muni, and are within Muni's control. However, failure to meet any of the above requirements or to address any deficiencies within the prescribed timelines could result in an Event of Default under the sublease, which would trigger payment of Stipulated Loss Value.

Additionally, Muni would bear the operational risk of incurring physical damage to a Breda Vehicle. If the Breda Vehicle can be repaired, Muni will bear that cost. However, if the Vehicle must be permanently removed from service, then the Equity Investor must be compensated for both the value of the vehicle and the lost tax benefits associated with it.

In the event that a Breda Vehicle is permanently taken out of service, Muni has agreed to hold 12 Vehicles out of this transaction, and would make one available to substitute for the original Vehicle. In the event that those 12 Vehicles already have been used for substitution purposes, the Equity Investors would be repaid from funds held in escrow, any insurance proceeds and from a Surety Policy that Muni will obtain from FSA. Then, similar to other lease-leaseback transactions with transit agencies, the City would be required to repay FSA for whatever amounts it pays out under the Surety Policy.

In order to address the City's repayment obligation to FSA, FSA has agreed to limit its recourse to Muni's fare revenues, advertising revenues, rental income, and any other Muni revenue sources available for repayment, to the extent such other funds are available and legally permitted for such purposes.

It should be noted that there has been no instance in which a Breda Vehicle has been destroyed as a result of an accident, and staff has identified only one instance where one of Muni's earlier Light Rail Vehicles, a Boeing LRV's, was destroyed due to an accident.

Early Termination Risk

In the event that the transaction is terminated prior to the Purchase Option date, the City would owe a termination payment. Much of this termination payment will be funded from monies held in the debt payment and equity deposit escrow accounts. However, the remaining portion will likely exceed Muni's upfront economic benefit for much of the Sublease term. Assuming the entire transaction terminates early, the financial obligation would range from approximately $71 million in 2003, to a maximum of approximately $126 million in 2014, back down to approximately $50 million in 2024, and approximately $2 million in 2027. This portion of the City's termination exposure is known as its "Stipulated Loss Exposure." While FSA insures that this Stipulated Loss

Exposure will be paid to the Equity Investors, the City is responsible for repaying the Strip Surety Policy Provider (FSA).

A corollary risk associated with early termination is "marked to market" risk. As noted previously, to fund the required portion from the Equity Securities, the City would need to sell all or a portion of such Securities held in the equity-related escrow account. If interest rates were higher on the early termination date than on the closing date of the transaction, then the proceeds generated by the sale of the securities could be less than the accreted value. Thus, the City could lose a portion of the investment. In other words, the City will be assuming "marked to market" risk. As a practical matter, the City always assumes this risk with its investments. [Current accounting standards now require the City – for all of its investments – to reflect changes in the market value of its investments].

The most likely reasons for an early termination of the Sublease – most of which are within the City's control – would be:

- Default – For example, if the City fails to abide by the covenants governing the operation and maintenance of the vehicles or to maintain third party property insurance, and does not remedy those problems within an agreed upon period, this would be considered to be an "event of default" and could trigger the termination of the leases. Other events of default include: (1) non-payment of Sublease rent (which, as a practical matter, could only be caused by a failure of the debt payment undertaker and the equity investment – see "Credit Risk Associated with the Payment Undertaker and the Equity Investment") and (2) bankruptcy of the City.

- Obsolescence – If Muni determined that one or more Breda Vehicles were technologically or economically obsolete, it would be permitted and terminate the transaction with respect to that Vehicle(s). However, in the unlikely event that Muni no longer has a need for the Breda Vehicles during the Sublease term, for any reason, the City will be permitted to sub-sublease the Breda Vehicles to another transit system operator in the United States.

- Casualty – as noted above, destruction of a Vehicle or its requisition by a third party could result in an early termination of the sublease with respect to that piece of equipment, if no substitute Vehicle were available. There has been no instance in which a Breda Vehicle has been destroyed as a result of an accident, and staff has identified only one instance where a Boeing LRV was destroyed due to an accident.

With the exception of a casualty loss due to natural events, the majority of events that could trigger an early termination are within Muni's control and discretion or, in the case of the failure of the Payment Undertaker, are mitigated by downgrade and removal protections. In the event of a major catastrophe that resulted in a loss of all or a

significant number of vehicles, Muni would look to (1) property insurance proceeds (excluding an event due to earthquake or terrorism), and (2) funds held in escrow to meet its obligation. Other events that could trigger an early termination have been carefully reviewed, and we have determined that Muni has sufficient direct control as to minimize such risks. Similarly, other transit agencies that have entered into these types of transactions have evaluated these risks and have come to similar conclusions. To date, none of the over 50 plus transactions involving public transit agencies have terminated early for any reason.

Breach of Contract

This is the risk that the Equity Investors do not realize their tax benefits as a result of actions, or failure to act, by the City, as required by the transaction documents. Muni's Finance section will take the lead in monitoring the City's compliance with the transaction's requirements.

Broken Deal Transaction Costs

If the transaction does not close due to the lack of local approval, Muni will be liable for the legal fees, appraisal fees and certain other costs incurred in the preparation of the transaction. These "broken deal" costs are currently estimated at approximately $1.6 to $1.7 million, and would be paid from Muni's Operating Budget. Of that amount, $240,000 is for a transportation consulting firm (Mercer), $125,000 is for the Vehicle Appraiser (American Appraisal) and the remainder is for the attorneys representing the parties to the transaction.

Who are the Outside Advisors used on this Transaction?

The following financial advisors have assisted with this transaction and will be compensated from the proceeds of the transaction: LIATI Group, LLC; Global Capital Finance LLC; McCalley Consulting; and Ross Financial. The following firms have provided legal advice in connection with this financing: Orrick, Herrington & Sutcliffe LLP; Sidley Austin Brown & Wood LLP; and Lofton & Jennings. LIATI Group, McCalley Consulting and Lofton & Jennings are Minority Business Enterprises. Ross Financial is a Local Business Enterprise.

How Are the Outside Advisors and Other Parties Being Paid?

If the transaction closes, the transaction expenses are estimated to be approximately $10 million, including the cost of the strip surety guaranty premium, lender's fees, legal counsel for all parties, financial advisory services. appraisal fees and trustee costs. These costs will be paid from the gross revenues of the transaction. The $33.0 million revenue estimate for Muni is net of the transaction expenses.

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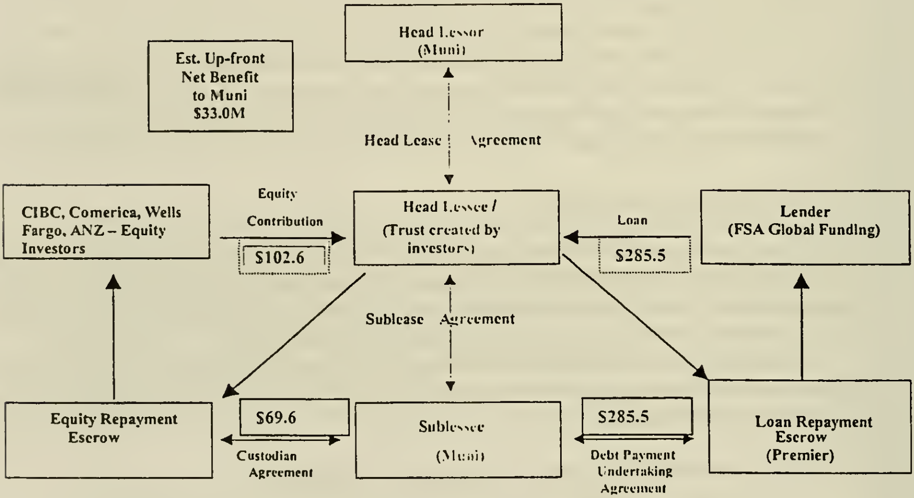
Attachment A

Leveraged Lease-Leaseback Financing Diagram
First Tranche of $388.1 Million



Note: The amount of the Equity Contribution to the Head Lease ($102.6M) differs from the amount deposited in the Equity Repayment Escrow ($69.6M) by the amount that Muni receives as its up-front one-time revenue from the transaction ($33.0M).

Municipal Transportation Agency
City and County of San Francisco

Attachment B

Agreements in Leveraged Lease-Leaseback Financing
To which the City is a Party

Participation Agreement – Spells out the overall terms and conditions, roles, covenants, general representations and warranties of the lease-to-service contract transaction relating to the Breda Vehicles. Agreement is among the City, the Equity Investors, the trustee (State Street), the lender (FSA) and the loan payment undertaker (Premier).

Head Lease Agreement- Establishes the terms and conditions under which the Breda Vehicles will be leased to the Equity Investors' Trust (between the City and the Trust; City as Lessor, Trust as lessee)

Head Lease Supplement I- Supplements the Head Lease terms and conditions by identifying specific Breda Vehicles (by car number) that will be leased by the City to the Equity Investors' Trust.

Sublease Agreement – Establishes the terms and conditions under which the City will lease back the Breda Vehicles from the Equity Investors' Trust. Agreement is between the Trust and the City, with the trust as the Sublessor and the City as the Sublessee.

Sublease Supplement I – an agreement that supplements the terms and conditions of the Sublease by identifying specific Breda Vehicles (by car number) that will be subleased back from the Equity Investors' Trust.

Payment Agreement – an agreement between the City and the Equity Investors' Trust, which establishes terms and conditions under which the City will pay sublease rent.

Support and Access Agreement- Establishes terms and conditions under which the City will provide support and access if the City chooses not to purchase the Breda Vehicles at the end of the Sublease term (between City and Equity Investors' Trust).

Tax Indemnification Agreement – Establishes the terms and conditions under which the City will indemnify the Equity Investors.

Insurance and Indemnity Agreement – Agreement between the City and each of the Strip Surety Policy Providers (FSA and ACE), which establishes the terms and conditions under which the City will indemnify the Strip Surety Policy Providers.

Custody Agreement – Agreement between the City and the Trustee (State Street) establishing the terms and conditions under which the U.S. Government securities placed in escrow will be held.
Equity Collateral Security Agreement – Agreement among the City, the Equity

Municipal Transportation Agency
City and County of San Francisco

Investors' Trust and the Trustee (State Street) that provides a security interest to the Equity Investor in the Equity Securities held in the Custodian Account.

Municipal Transportation Agency
City and County of San Francisco

MEMORANDUM

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration
San Francisco Municipal Railway

Date: March 12, 2002

Subject: Use of One-Time Revenues from Proposed Breda Leveraged Lease-Leaseback Transaction

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The purpose of this memorandum is to describe Muni's plans for the use of the one-time revenues from the proposed leveraged lease-leaseback transaction involving Muni's Breda Light Rail Vehicles. This memorandum will supplement the information provided to the Committee by the Budget Analyst, as well as information provided to the Committee by Muni regarding the structure of the transaction itself.

Estimated One-Time Revenue

Muni's financial advisors estimate the one-time revenue from the first tranche of the leveraged lease-leaseback transaction (118 vehicles) to be approximately $33.0 million.

Because these revenues are being derived from capital assets, and are one-time in nature, they are appropriate for use for non-recurring costs. Muni has identified several investments for these funds. Some are one-time expenses contained in the current year operating budget and others are currently not funded as part of our capital program.

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Fiscal Context – FY2002 and FY2003 Operating Budgets

As with other City Departments, the economic recession has significantly affected Muni's operating revenues. For Fiscal Year (FY) 2002, Muni estimates that it faces an $17 million shortfall in actual revenues versus budget. This shortfall includes a:

- $3 million reduction in General Fund support compared to the FY2002 budget;
- $6.7 million reduction in fare revenue compared to the budget; and
- $7.3 million reduction in sales tax revenues from the Metropolitan Transportation Commission (MTC), parking revenues, advertising and other sources.

For FY2003, Muni faces a $23.5 million revenue shortfall compared to the FY2002 budget, combined with a $15.2 million increase in mandated expenditures (primarily for cost of living adjustments in connection with collective bargaining agreements), yielding a $38.7 million budget gap.

For both FY2002 and FY2003, Muni has developed plans to balance its operating budgets without making significant changes to service levels, without cutting existing staff, without changing fare levels, and without requesting additional support from the General Fund. In order to accomplish these objectives, Muni has had to rely on a portion of the one-time revenues from the proposed Breda lease-leaseback transaction.

Use of Breda Revenues for FY2002 Budget

For FY2002, Muni intends to utilize approximately $5 million in Breda revenues to fund expenses that otherwise would have been funded from the operating budget, and that should not be deferred or eliminated. All of these expenses are eligible to be funded with capital monies, but either no capital funds or inadequate funds are available for these projects. These include:

Geneva Carhouse canopy	$500,000
Scheduling system	$500,000
Vehicle Maintenance System/Material Management System	$1,000,000
Non-revenue vehicle replacement	$420,000
PCC Painting Program	$604,000
Facilities Maintenance/Capital Improvement Projects: track/roadbed and misc. facilities	$400,000
Elevator/escalator	$695,000

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Information Technology Procurement	$891,000
Total	$5,010,000

The use of Breda one-time revenues in FY2002 will permit Muni to stay within budget without sacrificing essential upgrades to its facilities, equipment and information technology.

Use of Breda Revenues for FY2003 Budget

For FY2003, Muni intends to utilize $854,000 in Breda revenues to fund expenses that otherwise would have been funded from the operating budget, and that should not be deferred or eliminated. These include:

- PCC Painting - $604,000
- Signage Improvements - $250,000

In addition, the FY2003 budget relies on Breda revenues indirectly, to compensate for the use of $10 million in Federal funds for preventive maintenance, an operating expense.

As background, under the most recent Federal surface transportation authorization bill, known as "TEA-21," Federal Transit Administration Section 5307 capital funds are eligible to be used for preventive maintenance purposes. This is a common business practice for other transit systems throughout the country. For Muni, preventive maintenance can improve the reliability of its vehicles and facilities, which in turn would improve Muni's ability to meet the Service Standard Goals established in Proposition E. To date, the MTC, which administers the 5307 funds for the Bay Area region, has been reluctant to allow transit agencies to use 5307 funds for preventive maintenance purposes as a policy matter, due to the extensive backlog transit capital needs throughout the region.

Muni has discussed the current economic and budgetary situation with MTC, and we are working with them to allocate available funding from capital to preventive maintenance operating costs for a two-year period. $10 million would be allocated in FY2003 for this purpose. This strategy is in accordance with economic forecasts, which predict a short-term decline in the economy and a recovery beginning mid-way through FY2003. Muni has committed to identifying additional capital funding in future years from another source, such as Breda lease-leaseback revenues, and will not request further allocations from the MTC for capital projects during this time period.

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As a result, Muni may allocate up to $10 million of the Breda revenues to replace the $10 million in Section 5307 funding that will be used for preventive maintenance.

Uses of Remaining Breda One-Time Revenues – Capital Projects

Assuming total revenues of $33 million for the first tranche of the transaction, and that up to approximately $15 million of that amount is used for the FY2002 and FY2003 budget measures discussed above, approximately $18 to $28 million (depending on the allocation of revenues to replace the Section 5307 funding) would be available to fund capital projects.

Muni has identified six categories of capital projects that it will target for the use of Breda revenues. These categories are:

- Service Reliability
- Accessibility/ADA
- Safety/Security/Training
- Environmental
- Facility Modifications
- Capacity Expansion

The eventual use of these funds will be subject to the normal review and approval process by the Municipal Transportation Agency Board of Directors and the Board of Supervisors.

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ATTACHMENT VI

Payment Dates	Total Termination Values for all Equity Investors
6/28/02	57,517,040.90
12/1/02	62,334,061.60
1/30/03	62,747,077.98
12/1/03	71,139,148.37
1/30/04	71,491,522.92
12/1/04	79,444,284.13
1/30/05	79,731,923.54
12/1/05	87,340,159.86
1/30/06	87,574,026.48
12/1/06	94,607,074.10
1/30/07	94,746,115.40
12/1/07	101,282,534.57
1/30/08	101,360,417.49
12/1/08	107,234,909.89
1/30/09	107,204,259.53
12/1/09	112,476,512.78
1/30/10	112,372,779.83
12/1/10	117,018,557.30
1/30/11	116,812,120.62
12/1/11	120,696,248.36
1/30/12	120,382,211.53
12/1/12	123,450,998.48
1/30/13	123,020,807.01
12/1/13	125,110,234.29
1/30/14	124,541,247.42
12/1/14	125,675,017.47
1/30/15	124,979,443.70
12/1/15	125,045,086.42
1/30/16	124,198,164.16
12/1/16	123,126,003.40
1/30/17	122,125,450.55
12/1/17	119,850,330.76
1/30/18	118,682,866.64
12/1/18	115,066,772.64
1/30/19	113,715,444.94
12/1/19	108,627,559.64
1/30/20	107,077,328.44
12/1/20	100,356,789.67
1/30/21	98,587,940.46
12/1/21	90,128,960.90
1/30/22	88,142,114.77
12/1/22	78,013,230.31
1/30/23	75,812,782.24
12/1/23	64,406,602.65
1/30/24	62,036,925.66
12/1/24	49,826,894.35
1/30/25	47,311,699.68
12/1/25	34,351,872.21
1/30/26	31,682,223.91
11/5/26	3,436,754.55
12/1/26	14,888,748.39
1/5/27	2,171,676.96
1/30/27	11,087,106.91
10/5/27	3,082,962.78
12/1/27	2,147,603.14
1/5/28	1,854,654.31

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
1Q 2002	U.S. Lease-to-Service Contract	SEPTA	Rolling Stock	$310,200,000
1Q 2002	**U.S. Lease-to-Service Contract**	**Southern California Regional Rail Authority (SCRRA)**	**Rolling Stock**	**$67,800,000**
1Q 2002	**U.S. Lease-to-Service Contract**	**Peninsula Corridor JPB**	**Rolling Stock**	**$N/A**
1Q 2002	**QTE**	**BART (San Francisco)**	**Control Systems**	**$202,000,000**
4Q 2001	U.S. Lease-to-Service Contract	Bi-State Development Agency	Rolling Stock	$16,000,000
3Q 2001	U.S. Lease-to-Service Contract	Bi-State Development Agency	Rolling Stock	$120,000,000
3Q 2001	**U.S. Like Kind Exchange**	**LACMTA**	**Facilities**	**$285,500,000**
4Q 2001	U.S. Lease-to-Service Contract	MARTA	Rolling Stock	$120,000,000
4Q 2001	**U.S. Lease-to-Service Contract**	**State of California Caltrans**	**Rolling Stock**	**$N/A**
4Q 2001	U.S. Lease-to-Service Contract	SEPTA	Rolling Stock	$338,200,000
3Q 2001	**U.S. Lease-to-Service Contract**	**LACMTA**	**Rolling Stock**	**$82,500,000**
3Q 2001	U.S. Lease-to-Service Contract	State of New Jersey	Real Estate	$370,000,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
3Q 2001	U.S. Lease-to-Service Contract	SEPTA (Philadelphia)	Rolling Stock	$140,000,000
1Q 2001	U.S. Lease-to-Service Contract	Sound Transit (Seattle)	Rolling Stock	$61,000,000
1Q 2001	U.S. Lease-to-Service Contract	MARTA (Atlanta)	Rolling Stock	$256,250,000
1Q 2001	U.S. Lease-to-Service Contract	New Jersey Transit	Light Rail Vehicles	$71,560,000
4Q 2000	U.S. Lease-to-Service Contract	New Jersey Transit	Light Rail Vehicles	$85,872,000
4Q 2000	U.S. Pickle Lease	Metropolitan Transit Authority of Harris County, Houston, Texas ("METRO")	Bus Maintenance Facilities	$225,400,000
2Q 2000	**U.S. Lease-to-Service Contract**	**State of California Caltrans**	**Rolling Stock**	**$255,000,000**
3Q 2000	U.S. Lease-to-Service Contract	DART (Dallas)	Rolling Stock	$91,000,000
3Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$186,220,000
3Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$206,800,000
2Q 2000	**U.S. Lease-to-Service Contract**	**LACMTA (Los Angeles)**	**Rail Cars**	**$182,800,000**
2Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$150,827,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
2000	**U.S. Lease-to-Service Contract**	**Peninsula Corridor Joint Powers Board**	**Rolling Stock**	**$N/A**
1998	**U.S. Lease-to-Service Contract**	**Southern California Regional Rail Authority**	**Rolling Stock**	**$41,000,000**
2Q 2000	U.S. Like Kind Exchange	City Public Service of San Antonio	Power Plant	$725,000,000
4Q 1999	U.S. Lease MACRS	Amtrak	Rolling Stock	$384,800,000
4Q 1998	U.S. Leasehold	Metro Dade Transit Agency (Miami)	Facilities	$145,000,000
3Q 1998	U.S. Leasehold	Metra (Chicago)	Rolling Stock	$305,000,000
3Q 1998	U.S. Leasehold	New Jersey Transit	Facilities	$90,000,000
2Q1998	U.S. Leasehold	Boston University	Real Estate	$210,000,000
2Q 1998	U.S. Leasehold	MBTA (Boston)	Facility	$228,000,000
2Q 1998	U.S. Leasehold	DART (Dallas)	Facility	$128,000,000
3Q 1998	**U.S. Leasehold**	**Santa Clara Valley Transit Authority**	**Rolling Stock**	**$100,000,000**
4Q 1998	**U.S. Leasehold**	**San Joaquin Regional Rail (ACE)**	**Rolling Stock**	**$21,500,000**
1Q 1998	U.S. Leasehold	New Jersey Transit	Rolling Stock	$300,000,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
4Q 1997	U.S. Leasehold	MTA (New York)	Rolling Stock	$85,000,000
3Q 1997	U.S. Leasehold	Bi-State Development Agency	Facilities	$92,300,000
3Q 1997	U.S. Leasehold	DART (Dallas)	Rolling Stock	$125,000,000
2Q 1997	U.S. Leasehold	Chicago Transit Authority	Facilities	$133,400,000
2Q 1997	U.S. Leasehold	Metro Dade Transit Agency (Miami)	Rolling Stock	$140,000,000
2Q 1997	U.S. Leasehold	New Jersey Transit	Facilities	$156,000,000
1Q 1997	**U.S. Leasehold**	**NSDTD (San Diego)**	**Rolling Stock**	**$50,000,000**
1Q 1997	U.S. Leasehold	MTA (New York)	Real Estate	$314,000,000
1Q 1997	U.S. Leasehold	Port Authority Allegheny County	Rolling Stock	$100,000,000
1Q 1996	**U.S. Leasehold**	**LACMTA (Los Angeles)**	**Light Rail Vehicles**	**$55,000,000**
1Q 1997	**U.S. Leasehold**	**Peninsula Corridor Joint Powers Board**	**Rolling Stock**	**$100,000,000**
1Q 1997	Japanese Lease	SEPTA (Philadelphia)	Buses	$52,477,694
1Q 1997	Japanese Lease	King County, Washington	Buses	$71,285,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
4Q 1995	**U.S. Leasehold**	**San Diego Metropolitan Transit Development Board**	**Rolling Stock**	**$100,000,000**
4Q 1996	U.S. Leasehold	Port Authority of Allegheny County	Rolling Stock	$17,328,000
1996	**U.S. Leasehold**	**Southern California Regional Rail Authority**	**Rolling Stock**	**$180,000,000**
3Q 1996	U.S. Leasehold	Chicago Transit Authority	Facilities	$125,000,000
4Q 1995	Japanese Lease	Massachusetts Bay Transportation Authority	Buses	$37,132,050
4Q 1995	**Japanese Lease**	**MTDB (San Diego)**	**Buses**	**$27,077,586**
3Q 1995	Japanese Lease	Port Authority of Allegheny County	Buses	$11,760,000
4Q 1994	German Lease	Regional Transportation District of Denver	Light Rail Vehicles	$23,100,000
4Q 1994	Japanese Lease	Port Authority of Allegheny County	Buses	$12,000,000
3Q 1994	Japanese Lease	Regional Transportation District of Denver	Buses	$19,700,000

Bold items indicate transactions completed in California jurisdictions.

Municipal Transportation Agency
City and County of San Francisco

MEMORANDUM

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration
San Francisco Municipal Railway

Date: March 20, 2002

Subject: Proposed Breda Leveraged Lease-Leaseback Transaction
Equity and Lender Procurement Process

The purpose of this memorandum is to describe the process that was used to competitively procure the Equity Investors and Lender/Surety/Payment Undertaker for the proposed leveraged lease-leaseback transaction involving Muni's Breda Light Rail Vehicles. This memorandum will supplement the information provided to the Committee by the Budget Analyst, as well as information provided to the Committee by Muni regarding the structure of the transaction itself.

Equity Investors

On April 25, 2001 an Information Memorandum (the equivalent of a Request for Proposal) was issued to over 20 potential investors. On May 11, 2001 a total of four (4) proposals were received from Canadian Imperial Bank of Commerce, Fleet Capital Leasing, Bank of America Leasing & Capital, and Capstar Partners.

The bids were reviewed and analyze by Muni's financial advisors (Global Capital Finance and LIATI Group). The bids were evaluated based upon, but not limited to, the following criteria:

- Up Front Benefit offered to Muni

Municipal Transportation Agency
City and County of San Francisco

- Experience completing similar transactions with public agencies
- Willingness to underwrite most transaction expenses
- Risks of proposed transaction structure
- Ability/Willingness to meet City HRC requirements

On May 25, 2001 a meeting was held to evaluate the proposals with the evaluation committee comprised of Muni staff (Gigi Harrington, Bob Kuo, Fred Clarke), City Attorney's Office (Michelle Sexton, Dave Sanchez), Outside Legal Counsel (Cliff Gerber).

Based on the evaluation of the bids received the committee recommended awarding the transaction to CIBC. CIBC was ranked highest based on the combination of factors, specifically, CIBC offered the highest up front benefit to Muni, was willing to cover transaction expenses in the event of a broken deal, and had a demonstrated track record of successfully closing similar transactions with other public transit agencies (see Table A below).

Table A: Leveraged Lease Financing for Each Bid, May 2000

	CIBC	**Fleet**	**1st Union/ Wells Fargo**	**B of A Leasing**
Projected Net Benefit to Muni	$29.5m	$28.8m	$24.3m	$23.1m
% of Vehicle Market Value for each Tranche	9.22%	8.99%	7.60%	7.21%

Lender/Surety Provider/Payment Undertaker

On May 18, 2001 a Letter Request for Proposal was sent to eight (8) banking and insurance firms that specialize in providing loans, strip surety policies and debt and equity payment undertaking services for leverage lease/leaseback transactions. On May 23, 2001 proposals were received from three (3) firms; Financial Security Assurance Inc. (FSA)/Dexia, AIG Financial Products, and Ambac.

The bids were reviewed and analyze by Muni's financial advisor, Global Capital Finance. The bids were evaluated based upon, but not limited to, the following criteria:

Municipal Transportation Agency
City and County of San Francisco

- Overall cost
- Relevant experience

On May 25, 2001 a meeting was held to evaluate the proposals with the evaluation committee comprised of Muni staff (Gigi Harrington, Bob Kuo, Fred Clarke), City Attorney's Office (Michelle Sexton, Dave Sanchez), Outside Legal Counsel (Cliff Gerber).

Based on the evaluation of the bids received the committee recommended awarding the Lender/Strip Surety Provider/Payment Undertaker services to FSA. FSA was ranked highest based on the fact that they offered the lowest overall costs to Muni. The next lowest bidder was approximately $200,000 higher than the FSA's bid. It was determined that all three firms had sufficient relevant experience with providing these types of services; therefore, cost became the deciding factor.

401 VAN NESS AVENUE-SUITE 334 -SAN FRANCISCO-CA. 94102-4524
☎(415) 554-6896 FAX (415) 554-4143

San Francisco Municipal Railway- US Lease
Summary Bid Data

	CIBC	Fleet Capital Leasing	First Union/Wells Fargo: First Union	First Union/Wells Fargo: Wells Fargo	Bank of America
tact Information					
me	Karen Weinberg	Shari Leigh Gordon	Louis De Carlo		James Stano
le	Managing Director	Vice President	Senior Vice President		Managing Director
dress	425 Lexington Av. NY, NY 10017	509 Madison Avenue, Suite 2106, NY NY 10022	40 East 52nd Street NY NY 10022		231 South LaSalle Street, Chicago IL 60697
lephone	(212) 856-3614/ (831) 626-7423	(212) 980-1289	(212) 339-4219- Lou		(312) 828-4816
mail	karen.weinberg@us.cibc.com	sharileigh_gordon@fleet.com	Pending		jim.stano@bankofamerica.com
x Number	(212) 856-3688/ (831) 626-6423	(212) 980-1306	Pending		(312) 974-0205
mmitment Amount					
Tranche					
otal	$340,550,000	$320,150,000	$226,131,960	$89,819,574	$320,150,000
nderwritten	$340,550,000	$159,150,000	$0	$0	$160,075,000
yndicated	Not Available	$161,000,000			$160,075,000
nd Tranche					
otal	$163,200,000	$145,000,000	$108,368,040	$40,680,426	None
Underwritten	$163,200,000	$145,000,000	$0	$0	None
Syndicated	Not Available	$0			None
Advisors and Counsel	None	None	CAPSTAR Partners		None
- Legal Counsel	Mayer, Brown & Platt or King & Spalding	King & Spalding	Hunton & Williams		Mayer, Brown & Platt
Legal Fees	Pending - 350,000	$350,000	$350,000		Pending
Payment of Out of Pocket (Yes/No)	No	Yes	No		Pending
Appraiser	American (adjusted)	Ernst & Young	American		American
Broken Deal					
- Coverage (Yes or No)	Yes, except for City's counsel and advisor	Yes	Pending		Pending
- Broken Deal Fees	Subject to negotiation of caps	Actual billable hours	Pending		Pending
Transaction Structure					
- Type of Debt	100% Loop	90% Loop	90% Loop	100% Loop	90% Loop
Letter of Credit					Yes, but may not be necessary
- Ambac or FSA Acceptable	Yes	Yes	No	No	
- Other, if above not acceptable			Yes	Yes	
III. Proposal					
- Necessary Approvals	Tax, Credit	Credit	Credit/Invest.	Credit/Invest.	Pending
- Time required for Approvals	3 wks.	2 wks.	3 wks.	3 wks.	Pending
- Expiration Date of Proposal	05/25/01	05/25/01	Pending		Pending
III. Description of Opinions					
- Lessee Advisors	Int. Rates	Pending	Pending		Pending
- Other Outside Consultants	Mercer/ Marsh & McLennan	Rail Expert	Mercer/Collateral Guaranty		Pending
- Type of Opinions of Outside Consultants	Contract Consulting Assistance	Service Contract Opinion	Service Contract Consulting/Residual Insurance		Pending
X. Other Requirements- Yes/No					
- Constrains on Useful Life/FMV of Equip.	No	Pending	Yes	Yes	Pending
- Minimum Net Worth Requirements ('00m)	Yes	Yes	Yes	Yes	Pending
- Non Discrimination HRC-12B Form	Yes	Pending	Pending	Pending	Pending
- Members of Syndicate Group	ANZ, Comerica, Fifth Third, W. Fargo	Comerica, Wells Fargo, ANZ, unnamed investor	Stated Above		
- B Loan Pricing	Pending	100 Debt Drag	Pending	Pending	Pending
	Protect Lessor's book yield to FPO date	Preserve Lessor's book yield to FPO date			

Exhibit I

Summary of Economic Proposals from Respondents

Cost of Services

	AIG	AMBAC	FSA / DEXIA
Series A Lender	25 bps of max loan amount *$903,753*	30 bps of max loan amount *$1,084,503*	25 bps of initial loan amount *$653,292*
GIC Provider	LIBOR – 15 bps (AIG Guarantee) *$48,553,272* LIBOR – 30 bps (AAA Corporate Collateral) *$50,422,341* LIBOR – 40 bps (US Agency Collateral) *$51,708,838*	LIBOR – 15 bps (AMBAC Guarantee) *$48,600,000* - LIBOR – 35 bps (US Agency Collateral) *$51,110,373*	LIBOR – 10 bps (FSA Guarantee + A1 Collateral) *$48,395,392* - -
Strip Insurance	25 bps p.a. pv'd at LIBOR *$2,425,672*	26 bps p.a. pv'd at LIBOR-15 bps *$2,456,448*	25 bps p.a. pv'd at 6% *$2,457,705*

Total Cost	*$51,882,697 (AIG Guarantee)* *$53,751,766 (AAA Collateral)* *$55,038,262 (Agency ")*	*$52,140,951 (AMBAC Guarantee)* - *$54,651,324 (Agency Collateral)*	*$51,506,389 (FSA Guarantee)* - -

Legal Counsel and Expenses

	AIG	AMBAC	FSA / DEXIA
Counsel	O'Melveny & Meyers	Cadwalader, Wickersham & Taft	White & Case
Capped Legal Fees?	Yes $140,000 Uncollaterized GICs $160,000 Collaterized GICs	Yes $175,000 for 5 weeks, time thereafter	Yes $150,000

U.S. Department
of Transportation
Federal Transit
Administration

Office of Chief Counsel
400 Seventh St., S.W.
Washington, D.C. 20590

FEB 1 1 2002

RECEIVED
FEB 1 9 2002
PUBLIC TRANSPORTATION
DEPARTMENT

Mr. Michael T. Burns
General Manager
San Francisco Public Transportation
Department (MUNI)
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102

Re: Leveraged Lease Transaction -
Continuing approval & Clarification

Dear Mr. Burns:

Thank you for notifying FTA of the potential for an additional equity investor joining the leveraged lease-to-service contract transaction approved by the Administrator on January 29, 2002. This letter is confirmation of FTA's continued approval of the transaction, provided:

1. That the structure of the transaction is not otherwise materially altered from the structure reviewed by FTA; and
2. That the new equity investor is of comparable credit quality to the equity participants in the existing transaction.

In addition, in reply to a request from your financial advisor, for purposes of clarification, you may consider Conditions 3 and 4 in the September 28, 2001 [approval letter] as replaced with the following:

3. If MUNI should discontinue using the rail cars for mass transit purposes or does not repurchase all of the CIBC World Markets' and other equities' interests pursuant to Section 14 of the sublease agreement, MUNI must immediately notify FTA in writing. FTA then will issue instructions consistent with its rules and regulations. Currently those rules and regulations for rail cars are set forth in 49 CFR 18.32, FTA Circular 5010.1C, Grant Management Guidelines (October 1, 1998), and Section 19 of the FTA Master Agreement (MA-8).

4. Although FTA grants MUNI approval to enter into this lease transaction, such approval does not include prior approval of any service contract to be executed pursuant to Section 14(d) of the sublease agreement. MUNI must seek FTA approval of a specific service contract, if any, in the notification referred to in the preceding paragraph.

I look forward to hearing of the successful closing of this transaction.

Sincerely,

for William Sears
Chief Counsel

U.S. Department of Transportation
Federal Transit Administration

Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

JAN 29 2002

Mr. Michael T. Burns
General Manager
San Francisco Municipal Railway
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102

Re: MUNI 2001 Statutory Trust and
Defeased Lease-Leaseback Transaction

Dear ~~Mr. Burns~~: Michael —

The Federal Transit Administration (FTA) has reviewed the draft operative documents describing a proposed U.S. leveraged lease (lease-to-service contract) involving 150 light rail cars, between the San Francisco Municipal Railway (MUNI) and CIBC World Markets Corporation with Comerica Leasing and Wells Fargo Equipment Finance, as the equity investors. This letter applies to both tranches of the light rail car lease. Based on FTA's review of these documents and of various supporting materials submitted by MUNI, I hereby approve this transaction.

It is my understanding that under this transaction, MUNI will lease up to 150 light rail cars built by Breda, with an appraised value of as much as $465 million, then lease back the rail cars under a lease-to-service contract for from 20 to 27 years, depending on the age of the equipment. At the fixed purchase option date, MUNI will be able to make a final payment based on a calculation agreed-upon at closing, thus clearing any encumbrances from this transaction.

FTA finds that this transaction as represented in the operative documents and supporting information conforms to FTA's guidelines concerning tax-advantaged leases. First, an economic analysis provided by MUNI indicates that the benefits to it will outweigh the costs of the transaction. Secondly, the draft operative documents indicate that MUNI will be able to ensure continued use of the vehicles in mass transit service, as required by the Federal Transit Laws (49 U.S.C. § 5301 et seq.) and Paragraph 7(c) of FTA Circular 7020.1, Cross-Border Leasing Guidelines (April 26, 1990). In particular, provisions of the sublease agreement governing quiet enjoyment, insurance and maintenance of the railcars ensure MUNI's continued possession and operation of the vehicles.

Finally, FTA finds that the operative documents adequately address indemnities, unwind risks, substitution for loss of equipment, and events of default. FTA reminds MUNI that notwithstanding such events, MUNI must meet its obligations under FTA regulations and the requirements of its grant agreement with FTA.

I therefore consent to MUNI's execution of this transaction, subject to the following conditions:

1. MUNI agrees to comply with the basic terms and conditions underlying FTA assistance agreements through which Federal funds were used to acquire the rail cars in question. I understand that these were purchased in part with Federal grant funds.

2. The transaction will be implemented and completed as described in the operative documents submitted to FTA seeking the agency's consent to the transaction.

3. If MUNI should discontinue using the rail cars for mass transit purposes or does not repurchase all of CIBC World Markets' and other equities' interests at the fixed purchase option date, MUNI must immediately notify FTA in writing. Notwithstanding any language to the contrary in the operative documents, MUNI is bound by, and FTA then will issue, instructions consistent with 49 CFR § 18.32 or 49 U.S.C. 5334 (g) and Paragraph 7(d) of FTA Circular 7020.1 (April 26, 1990, and as amended from time to time), as appropriate.

4. FTA's approval of this transaction does not include prior approval of any service contract to be executed pursuant to Section 14(d) of the sublease agreement. MUNI must seek FTA approval of any such contract in the notification referred to in the preceding paragraph.

5. MUNI shall notify FTA immediately of any material changes in its financial condition or in the terms of the transaction following the date of this finding to the end of the sublease term.

6. FTA may exercise its right to direct use of the program income earned by MUNI from this transaction to a particular capital or operating need.

7. Finally, upon closing this transaction, MUNI is required to provide FTA with the following information or material:

    a. Executed copies of the operative documents for the transaction and related opinions of counsel;

b. A separate set of the operative documents and related opinions of counsel, signed or unsigned *but as executed*, marked up to show any changes from the versions sent to FTA for approval;

c. Copies of all filings by MUNI regarding the transaction made with government agencies;

d. A statement of opinion by the equity investor that this transaction will generate a positive Federal income tax revenue over the anticipated term of the transaction;

e. A statement of the amount of proceeds from the transaction; and

f. A statement of the total costs of the transaction, including but not limited to, all fees paid by the lessee and lessor to any broker, arranger, financial institution, legal counsel, appraiser or other consultants or advisors.

FTA's consent to this transaction shall be void if there are any substantive or material changes in the terms reflected in the final draft operative documents submitted to us.

Sincerely,

Jennifer L. Dorn

Item 4 – File 02-0388

Department: Parking and Traffic (DPT)

Item: Resolution concurring with the Controller's certification that janitorial services at 21 off-street, metered parking lots and five DPT facilities can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees.

Services to be Performed: Janitorial services at 21 off-street, metered parking lots and five DPT facilities.

Description: Charter Section 10.104 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for janitorial services at 21 off-street, metered parking lots and five DPT facilities for FY 2001-2002 would result in the estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$163,598	$193,499
Fringe Benefits	47,442	52,037
Total	$211,040	$245,536
Estimated Total Contract Costs	$185,700	$185,700
Estimated Savings	$25,340	$59,836

Comments: 1. Custodial Janitorial currently provides janitorial services at the 21 off-street, metered parking lots and five DPT facilities. Attachment I, provided by DPT, is a list of these 26 locations and the frequency of service at each of these locations.

2. DPT reports that this service was first certified as required by Charter Section 10.104 in 1985 and has been provided by an outside contractor since that time. According to Mr. Ruble, as stated in Attachment II, the contract has been on a month-to-month basis since January 1, 1999 because at that time, the Purchaser's Office requested that DPT allow this contract to transition to a month-to-month basis until the workload at the Purchaser's Office allowed for the administration of re-bidding janitorial services.

3. According to Mr. Ruble, DPT put this contract out for competitive bid on February 8, 2002. The bids are due on March 25, 2002. According to Mr. Ruble, DPT intends to award a new contract by April 8, 2002, once this proposed resolution is approved by the Board of Supervisors.

4. The Estimated Total Contract Cost used for the purpose of this analysis is based on DPT's estimate of the FY 2001-2002 cost of the new contract.

5. The Controller's supplemental questionnaire with the Department's responses is shown in Attachment III to this report.

Recommendation: Approve the proposed resolution.

CONTRACT PROPOSAL
83646

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF CONTRACT ADMINISTRATION
PURCHASING DIVISION

JANITORIAL SERVICES FOR PARKING AND TRAFFIC OFFICES AND OFF-STREET PARKING LOTS

For the Term May 1, 2002 through April 30, 2005

SPECIAL CONDITIONS (Continued)

C. DESCRIPTION OF FACILITIES COVERED AND FREQUENCY OF SERVICE:

Area 1

	FACILITY	ADDRESS/LOCATION	NUMBER OF STALLS	SERVICE FREQUENCY	STEAM CLEANING
1.	Pierce and Lombard	3252 Pierce Street	116	MTWThFSa	6
2.	California & Steiner	2450 California Street	48	MTWThFSa	2
3.	Castro & 18th	457 Castro Street	20	MTWThFSa	4
4.	18th & Collingwood	4116 – 18th Avenue	28	MTWThFSa	4
5.	8th & Clement	324 – 8th Avenue	26	MTWThFSa	2
6.	9th & Clement	330 – 9th Avenue	21	MWFSa	1
7.	18th & Geary	421 – 18th Avenue	34	MWFSa	1
8.	21st & Geary	5732 Geary Blvd.	21	MWThFSa	2
9.	6th & Irving	1355 – 6th Avenue	51	MTThSa	1
10.	7th & Irving	1340 – 7th Avenue	36	MTThSa	1
11.	9th & Irving	1325 – 9th Avenue	41	MTThFSa	2
12.	20th & Irving	1275 – 20th Avenue	24	MTWThFSa	2
		Total	466		

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF CONTRACT ADMINISTRATION
PURCHASING DIVISION

CONTRACT PROPOSAL
83646

JANITORIAL SERVICES FOR
PARKING AND TRAFFIC OFFICES AND OFF-STREET PARKING LOTS
For the Term May 1, 2002 through April 30, 2005

SPECIAL CONDITIONS (Continued)

Area 2

	FACILITY	ADDRESS/LOCATION	NUMBER OF STALLS	SERVICE FREQUENCY	STEAM CLEANING
1.	Junipero Serra & Ocean	2500 Ocean Avenue	20	MWF	1
2.	19th & Ocean	3000 – 19th Avenue	20	MWF	1
3.	Claremont & Ulloa	807 Ulloa	23	MTWThFSa	4
4.	West Portal	174 West Portal Avenue	19	MWFSa	1
5.	24th & Noe	4061 – 24th Street	16	MTThFSa	4
6.	24th & Capp	1 Lilac @ 24th & Capp	19	MTWThFSa	4
7.	Mission & Norton	20 Norton	28	MTThSa	2
8.	Felton & San Bruno	25 Felton Street	10	MTThFSa	2
9.	Diamond & Wilder	Corner of Diamond & Wilder	25	MthSa	0
10.	PCO Trailer DPW Yard	2323 Cesar Chavez Street	n/a	MTWThF	0
11.	Sign Shop & Bryant	1999 Bryant Street	n/a	MTWThF	0
12.	Paint Shop @ Charter	80 Charter Oak Blvd.	n/a	MWF	0
13.	PCO Trailer @ 10th St.	10th & Bryant Streets	n/a	MTWThF	0
14.	6th & Townsend PCO	Corner of 6th & Townsend	n/a	TthSa	0
		Total	180		

FROM : PARKING AUTHORITY PHONE NO. : 554 9395

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: 03/13/02

TO: Anna LaForte, Analyst
Office of the Budget Analyst

FROM: Scott Ruble, Property Manager SR
San Francisco Parking Authority

RE: **Proposition J Certification**

Thank you for your efforts in preparing the Budget Analyst materials for the Department of Parking and Traffic's Proposition J Certification resolution for the Board of Supervisors.

This Proposition J Certification resolution relates to the Department's bid for janitorial services at twenty-one off-street metered lots and five other DPT facilities. This bid is being administered by the Purchaser at this time. While janitorial services similar to those described in the scope-of-work of this new bid are currently provided by an independent contractor, this is a new and wholly separate bid, with many of the provisions of the contract's scope of work modified from the current example.

The current contract for similar services has been on a month-to-month basis since January 1, 1999. Previous to this month-to-month status, the contract operated on a one-year extension with a term of January 1, 1998 through December 31, 1998.

Shortly before the expiration of this one-year extension, the Parking Authority contacted the Purchaser's Office, expressing interest in re-bidding these services, as the contract extension was soon to be exhausted. This was the last year (1998) in which the contract was brought before the Board of Supervisors for annual Proposition J certification renewal.

At that time, the Purchaser's Office requested that Parking and Traffic allow the contract to transition to a month-to-month basis until the workload at the Purchaser's Office allowed for the administration of re-bidding the janitorial services.

Anne LaForte
03/13/02
Page 2 of 2

It is this juncture in the history of the contract where annual renewal of Proposition J certification was overlooked. Due to the workload of the Purchaser's Office and understaffing at the Parking Authority of DPT, the responsibility for annual renewal was unclear and overlooked until this year. This year, the Parking Authority added a staff member and the effort to re-bid the contract was renewed. The Parking Authority was unaware that Proposition J certification was not occurring, but readily admits to its responsibility in administrative oversight of this mandate.

In the future, this contract will be under the administrative responsibility of the Property Manager of the Parking Authority. Additionally, the Parking Authority will add the annual renewal of Proposition J certification to its "tickle list" of legislative responsibilities to assure that certification renewal occurs each year in a timely manner.

cc: Ronald Szeto, Acting Director, Parking Authority
Steven Lee, Principal Analyst, Parking Authority
Diana Hammons, Director of Government Affairs, DPT

H:\PARKING\Board of Supervisors\prop j ltr response budget analyst 3-02.doc

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Parking Authority, Department of Parking and Traffic

CONTRACT SERVICES: Janitorial and landscaping services

CONTRACT PERIOD: 36 month period beginning Winter or Spring 2002

(1) Who performed the activity/service prior to contracting out? *This service has been contracted out since prior to 1995 and beyond the institutional memory of current Parking Authority staff.*

(2) How many City employees were laid off as a result of contracting out? *None. Not applicable.*

(3) Explain the disposition of employees if they were not laid off. *Not applicable.*

(4) What percentage of City employees' time is spent of services to be contracted out? *Not applicable.*

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out? *This service has been contracted out since prior to 1995 and beyond the institutional memory of current Parking Authority staff. This will likely be an ongoing request for contracting services.*

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year? *The prior contract for these services received Proposition J exemption in 1995.*

(7) How will the services meet the goals of your MBE/WBE Action Plan? *This bid process, handled by the Office of Contract Administration, will comply with all HRC MBE/WBE regulations and bid discounts.*

(8) Does the proposed contractor provide health insurance for its employees? *There is no proposed contractor, but awarded contractor will comply with all applicable municipal regulations.*

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance? *There is no proposed contractor, but awarded contractor will comply with all applicable municipal regulations.*

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance? *There is no proposed contractor, but awarded contractor will comply with all applicable municipal regulations.*

Item 5 - File 02-0395

Departments: Library
Art Commission

Item: Resolution authorizing the San Francisco Public Library to accept and expend a gift in the amount of $150,100 from the Friends and Foundation of the San Francisco Public Library for the Ocean View Art Project and for the James C. Hormel Gay and Lesbian Center

Amount: $150,100

Source of Funds: The Friends and Foundation of the San Francisco Public Library, a non-profit organization

Description: The proposed resolution authorizes the Public Library to accept and expend a total gift of $150,100 from the Friends and Foundation of the San Francisco Public Library, a non-profit organization dedicated to raising funds to assist the Library. The subject gift consists of (a) $125,000 to support the artist selection process as well as the design, development, materials, installation and maintenance of a piece or pieces of art at the Ocean View Branch Library and (b) $25,100 for an existing library staff person to preserve, catalog and make accessible the Harry Hay and Dorr Jones collections of historical material at the James C. Hormel Gay and Lesbian Center, a research center located at the Main Library that is devoted to the documentation of gay and lesbian culture.

Budget: The proposed budget for the total $150,100 gift, including the $125,000 for the Ocean View Branch Library Art Project and $25,100 for Archivist Services for the James C. Hormel Gay and Lesbian Center, is as follows:

Ocean View Library Art Project			
Art Development			
Maintenance of Art	$6,250		
Proposal Fees (5 artists @ $500)	2,500		
Accessibility for the Visually Impaired	3,000		
Recruiting of Artists	500		
Panel Honorariums for Judges (5 judges @ $125)	625		
Copies and Slides of Proposals	600		
Catering at Selection Events	200		
Project Contingency Fund	5,325		
Art Development Subtotal		$19,000	
Artistic Project			
Design Development			
Artist Design Fee	$4,000		
Reimbursable Artist Design Expenses	500		
Engineering Consultant, if required by the project	1,500		
Project Related Overhead	300		
Design Development Subtotal		$6,300	
Materials & Installation			
Artist Fee	$15,000		
Art Materials Expenses	60,000		
Installation of Art	10,000		
Liability Insurance	1,500		
Engineering Consultant, if required by the project	2,000		
Art Production Related Overhead	300		
Artist Project Contingency Fund	10,900		
Materials & Installation Subtotal		$99,700	
Artistic Project Subtotal			$106,000
		Total	$125,000
James C. Hormel Gay and Lesbian Center			
.44 FTE 3630 Librarian I	$23,350		
Fringe Benefits (7.5%)	$1,750		
		Total	$25,100
		Total Budget	$150,100

Comments:

1. According to Ms. Kathleen Lucey of the Public Library, the Ocean View Library Art project is a collaborative effort between the Library and the Arts Commission. Ms. Lucey reports that the Art Commission would manage an art competition for artists to submit design proposals for a new piece or pieces of art for the Ocean View Branch Library, choosing five finalists from the submitted proposals that would each be paid $500 for expenses related to his or her design proposal. Ms. Lucey reports that a five-member selection panel would then choose an art proposal. The selected artist, Ms. Lucey notes, would receive a design and an art fee as well as be reimbursed for materials expenses and consultants, if he or she requests the use of engineering, materials or architectural consultants. The consultants would be chosen on a sole source basis, at the discretion of the winning artist. Ms. Lucey reports that any unexpended funds from the proposed project would be returned to the Friends and Foundation of the San Francisco Library.

2. According to Ms. Lucey, the proposed gift of $25,100 to the James C. Hormel Gay and Lesbian Center would increase the hours of an existing Library staff member from .50 FTE to .94 FTE to reduce the backlog of materials from the Harry Hay and Dorr Jones collections that need to be archived. Ms. Lucey advises that these archival services would make the Harry Hay and Dorr Jones collections available to the public for research and use.

Recommendation: Approve the proposed resolution.

Item 6 – File 02-0438

Department:	Mayor's Office of Community Development (MOCD)
Item:	Hearing to consider the release of $381,331 in previously reserved 1998 Community Development Block Grant funds for construction of a new multi-purpose neighborhood center to be located in Visitacion Valley.
Amount:	$381,331
Source of Funds:	Previously reserved 1998 Community Development Block Grant (CDBG) funds.

Description:

Under the 1998 CDBG Program, the Board of Supervisors reserved a total of $1,909,331 of the Work Force Development Pool pending submission by MOCD of expenditure plans and budget details for specific Work Force Development projects. Of the $1,909,331 originally reserved, $1,109,000 was subsequently released by the Board of Supervisors, leaving a balance of $800,331 still on reserve.

At this time, MOCD requests that $381,331 of the $800,331 in currently reserved 1998 CDBG Work Force Development Pool funds be released to fund approximately 9 percent of the total $4,192,355 cost of The Village Community Center (The Village), a new multi-purpose neighborhood center to be constructed at 1099 Sunnydale Avenue in Visitacion Valley. Upon completion of The Village, The Village will be operated by the Geneva Valley Development Corporation (GVDC).

The GVDC is a non-profit neighborhood-based corporation formed with the Federal Department of Housing and Urban Development's (HUD's) assistance to develop affordable housing and community facilities in Visitacion Valley. A ground lease between the City and GVDC to construct and operate The Village was previously approved by the Board of Supervisors in 2000 (File 00-1767).

Upon construction of The Village facility, which is expected to be completed in the Fall of 2003, according to

Mr. Jon Pon of MOCD, The Village will consist of approximately 20,265 square feet and will include a multi-purpose recreation space, a public health clinic to be operated by the Department of Public Health (DPH), a classroom, a conference room, and office space for nonprofit organizations including the Boys and Girls Club of San Francisco, the Chinese for Affirmative Action, the Visitacion Valley Job Center, Employment and Training Center, the Girls After School Academy, the GVDC, and the Family Services Agency. The Village will also have 18 parking spaces below ground for the community facilities.

As noted in the attached memorandum from Mr. James Alexander of the DPH (Attachment I), DPH was unable to provide the Budget Analyst with an estimate of the annual General Fund monies which may be needed by the DPH to operate the public health clinic at The Village. However, Mr. Alexander states in Attachment I, "The Department anticipates that the satellite clinic operating expenses will be covered by a combination of revenues from public insurance programs such as Medi-Cal and Medicare and the reallocation of resources of an existing satellite clinic at Hawkin's Village."

According to Mr. Pon, Pacific Engineering Builders, Incorporated was selected by GVDC through a competitive bid process to construct The Village. Mr. Pon reports that all funds for the construction of The Village, with the exception of the subject reserved funds, have been obtained and construction is expected to begin on April 2, 2002.

Budget: Attachment II, provided by MOCD, contains the construction budget and funding sources totaling $4,192,355 for The Village construction project including this subject release of $381,331 which is part of the $531,331 of CDBG grant funds.

Comments: 1. According to Mr. Pon, two funding sources are not subject to Board of Supervisors approval, including the $1,500,000 HUD grant awarded to the GVDC and the $141,030 in private donations received by the GVDC (see Attachment II).

2. Given the fact that the City is facing a projected $154.1 million General Fund shortfall for Fiscal Year 2002-2003, and a projected $44 million shortfall for Fiscal Year 2003-2004, and given the fact that, as noted in Attachment I, the DPH was unable to provide the Budget Analyst with an estimate of the annual General Fund monies which may be needed by the DPH to operate the public health clinic at The Village, approval of this release of $381,331 is a policy decision for the Board of Supervisors.

Recommendation: For the reason stated in Comment No. 2 above, approval of the release of $381,331 is a policy decision for the Board of Supervisors.

Attachment I

City and County of San Francisco

Department of Public Health

DATE: March 21, 2002

TO: Anna LaForte,
Board of Supervisors Budget Analyst

FROM: James Alexander
DPH Budget Manager

RE: The Village Satellite Clinic

In response to your inquiry regarding the operating costs for a DPH run satellite clinic at The Village: because the details of the satellite clinic program at The Village have not been fully developed, the Department of Public Health would not be able to quantify operating costs at this time. The Department anticipates that the satellite clinic operating expenses will be covered by a combination of revenues from public insurance programs such as Medi-Cal and Medicare and the reallocation of resources of an existing satellite clinic at Hawkin's Village. The Hawkin's Village satellite clinic currently serves clients in Visitacion Valley and is scheduled to be relocated upon completion of the new site.

GENEVA VALLEY DEVELOPMENT CORPORATION

The Village Community Center – 1099 Sunnydale Avenue

March 18, 2002

CONSTRUCTION CONTRACT

acoustical ceiling	32,600
casework	46,900
cmv	47,500
concrete	20,500
drywall	109,000
earthwork	79,500
electrical	320,000
elevator	53,440
fire protection	72,000
flooring	45,600
glass & glazing	100,100
doors & hardware	117,300
insulation	19,300
overhead door	11,800
painting	51,000
plumbing	135,200
roofing	38,790
signage	16,100
site utilities	79,500
steel	173,000
tile	36,000
Prime Contractor	2,206,102
Construction contract	**3,811,232**
10% Contingency	381,123
CONSTRUCTION BUDGET	$4,192,355

SOURCES OF FUNDING FOR CONSTRUCTION BUDGET

HUD Upfront Grant Agreement	1,500,000
MOCD/HUD Special Purpose Grant	17,994
MOCD/CDBG Grant	531,331
MOCD Capital Loan	2,000,000
Private Funding	141,030
TOTAL SOURCES	$4,192,355

Bids were submitted and opened at 2:00 p.m., April 26, 2001. Value engineering and negotiations have continued since that time.

Item 7 - File 02-0286

Departments:	Recreation and Park Department (RPD) Department of Public Works (DPW)
Items:	Resolution authorizing the Recreation and Park Department to apply for, accept and expend State Department of Parks and Recreation grant funds under the Per Capita Grant Program (Per Capita Grant) in the amount of $8,111,000 and under the Roberti-Z'berg-Harris Urban Open Space and Recreation Block Grant (RZH Grant) in the amount of $5,016,627, which are both grant programs funded from the California Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000; adopting findings pursuant to the California Environmental Quality Act (CEQA); and adopting findings that such action is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1 for the Harding Park and the Fleming Golf Course (Harding Park) renovation project.
Amount:	Per Capita Grant: $8,111,000 RZH Grant: 5,016,627 Total Grant Amount: $13,127,627
Grant Period:	Per Capita Grant Program Funds must be expended by June 30, 2008 RZH Grant Program Funds must be expended by March 1, 2009
Source of Funds:	The Per Capita Grant and the RZH Program Grant are administered under the State's Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000.
Required Match:	$2,149,983 (42.9 percent of the RZH Grant Program award of $5,016,627 which must come from a combination of City and private funding, see Comment No. 1). The Per Capita Grant Program does not require matching funds.
Indirect Costs:	The Department requests that indirect costs for the RZH grant be waived in order to maximize the use of grant

funds for direct project purposes. The Per Capita grant prohibits the inclusion of indirect costs.

Description: The proposed resolution would authorize the City to apply for, accept and expend $8,111,000 of grant funds from the State Per Capita Grant Program and $5,016,627 of grant funds from the State Roberti-Z'berg-Harris Urban Open Space and Recreation Program Block Grant (RZH Grant), for a total grant amount of $13,127,627 to be used to renovate Harding Park; adopt the findings pursuant to CEQA; and, adopt the findings that the Harding Park Golf Course and Fleming Golf Course renovation project (Harding Park renovation project) are consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1. The subject grant funds consist of one-time awards from two grant programs that the State Department of Parks and Recreation administers under the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000.

According to Mr. Gary Hoy of the Recreation and Park Department (RPD), the renovation of Harding Park, adjacent to Lake Merced in the southwestern corner of San Francisco, has been planned for two and a half years and has undergone extensive public comment and review by the RPD Commission. The proposed renovation project is estimated to cost a total of $16,027,610.

The proposed Harding Park renovation project would consist of (a) renovating and upgrading the 18-hole Harding golf course and the adjoining 9-hole Fleming golf course, (b) demolishing existing buildings, except for the existing restaurant and golf cart barn, renovating the existing parking lot at Harding Park and constructing a new Clubhouse, which would include a new restaurant, (c) constructing a new maintenance facility for equipment, vehicles and supplies and (d) constructing a new driving range. After renovations are completed to the standards set forth in the proposed PGA Master Tournament Agreement, the Harding Park Golf Course would fulfill the PGA's requirements for Harding Park and would then become the West Coast home of the PGA Tour Championship events (see File 02-0201).

Mr. Hoy advises that the RPD would work-order $2,015,500 to the Department of Public Works (DPW) to provide the following services for the aforementioned projects: (a) design and engineering services (except for the design and engineering services for the renovation of the golf courses which would be provided by the First Tee Program at a cost of $750,000, which is $33,339 more than the $716,661 of private matching funds required by the grant, see Comments No. 1 and 2), including architectural design, landscaping and structural, site, hydraulic, electrical, mechanical and traffic engineering (b) construction management, and (c) project management.

Additionally, the proposed resolution authorizes the Board of Supervisors to adopt findings that the proposed Harding Park renovation project would be conducted pursuant to the California Environmental Quality Act (CEQA) and that the proposed renovation is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Harding Park Renovation Project Budget:

A summary budget for the total project costs of $16,027,610, funded by the $8,111,000 of subject grant funds from the Per Capita grant, $5,016,627 of subject grant funds from the RZH grant, $2,149,983 in City matching funds and $750,000 of private matching funds, is as follows:

Expenditure	
DPW Design, Engineering, Construction Management, Project Management	$2,015,500
Golf Course Design and Engineering	750,000
Permits and Fees	471,000
Construction Costs	12,791,110
Total Project Expenditures	$16,027,610

Attachment I, provided by the RPD, provides additional budget details for the design and engineering, construction management and project management to be provided by the DPW, in the amount of $2,015,500. In

addition, the $750,000 in private matching funds is to be contributed to the project in the form of golf course design and engineering plans provided by a golf course designer and the Professional Golfer's Association through the non-profit First Tee Program (see Comment 2).

The $16,027,610 project expenditures and funding sources are as follows:

Expenditure by Facility	
Golf Course Renovation	$8,419,210
New Clubhouse	5,512,000
New Maintenance Facility	1,214,000
New Driving Range	882,400
Total Project Expenditures	$16,027,610

Project Funding Sources	
State Grant Monies	$13,127,627
RPD Matching Funds	2,149,983
Private Matching Funds	750,000
Total Funding	$16,027,610

Attachment II provides a description of project expenditures for each of the facility improvements described above.

Of the total project costs of $16,027,610, the RPD is requesting a total of $12,791,110 for contractual services for construction costs at Harding Park (total project costs of $16,027,610 less DPW design and engineering costs of $2,015,500 less the $750,000 for golf course architectural design and engineering plans and less the $471,000 in permits and fees). As shown on Attachment II, these construction costs consist of the following individual projects:

Construction Expenditures by Facility	
Golf Course Renovation	$7,106,210
New Clubhouse	4,074,000
New Maintenance Facility	901,000
New Driving Range	709,900
Total Construction Expenditures	$12,791,110

Attachment III provides cost estimates for the construction expenditures for the golf course renovation

totaling $7,106,210 and the new driving range totaling $709,900. According to Mr. Hoy, the construction estimates for the new clubhouse totaling $4,704,000 and the new maintenance facility totaling $901,000 are based on the conceptual design of the two facilities. Mr. Hoy reports that these estimates are consistent with the typical construction costs of such facilities.

Comments:

1. The RZH Program grant of $5,016,627 requires a local match from two different sources, (a) a match by the RPD from non-State funding sources of 28.6 percent of the subject grant award of $5,016,627, or $1,433,322 and (b) a private match from non-State funding sources of 14.3 percent of the subject grant award of $5,016,627, or $716,661, for a total required match of $2,149,983 from both RPD and a private matching source.

However, according to Mr. Hoy, the RPD proposes to provide $716,661 more than RPD's required match of $1,433,322 for a matching fund amount from the RPD of $2,149,983. The RPD will request $2,149,983 in matching funds from the FY 2002-2003 Open Space Fund[1].

2. The required private match of $716,661 would be provided by the First Tee Program and consists of the development of golf course design and engineering plans for the Harding Park renovation project. The First Tee Program is a non-profit organization funded by the PGA, Ladies Professional Golf Association (LPGA), the United States Golf Association (USGA), other major golf organizations, as well as local charitable contributions, that provides golf programs designed to bring youth of all ethnic and socioeconomic backgrounds to the game of golf and will be located at Harding Park. Mr. Hoy reports that the design and engineering plans have an estimated value of $750,000, which is $33,339 greater than the required private match of $716,661 (see Comment No. 1). Mr. Hoy advises that the First Tee Program would provide these services as a gift to the City and that a resolution to accept this gift would be submitted to the Board of Supervisors under separate legislation.

[1] The Open Space Fund is a special fund established in the City Charter (Section 16.107). The revenue for the Open Space Fund is derived from Property Taxes at a rate of two and one-half cents ($.025) for each one hundred dollars of assessed valuation.

3. As noted in Comment No. 2, the First Tee Program is providing the golf course design and engineering plans for the Harding Park renovation project. Mr. Hoy reports that the First Tee Program has completed the golf course design and engineering plans for the Harding Park renovation project. Mr. Hoy advises that the RPD is ready to put out to bid for the construction contract for the Harding and Fleming golf courses. As shown in Attachment IV, provided by the RPD, the DPW design of the new Clubhouse and the new Maintenance Facility would begin in May of 2002. Mr. Hoy further advises that the RPD will conduct competitive bid processes for the construction of the proposed Harding Park renovation project is as follows:

Construction Project	Anticipated Bid Date
Golf Course Renovation	March of 2002
New Clubhouse	March of 2003
New Maintenance Facility	September of 2002
New Driving Range	June of 2002

4. Attachment IV shows the timeline for the completion of various tasks for the Harding Park renovation project. According to Mr. Hoy, the anticipated completion dates for the Harding Park renovations are as follows: (a) golf course renovations, June of 2003; (b) clubhouse/cart barn parking lot in September of 2004; (c) maintenance facility in July of 2003; and, (d) driving range in July of 2003.

5. According to Mr. Hoy, as a result of the proposed renovation project, Harding Park will be closed from approximately May 6, 2002 through approximately June 1, 2003. Mr. Dan McKenna of the RPD advises that there are currently 17.96 FTE RPD staff assigned to Harding Park. Mr. McKenna reports that 6.0 FTE, consisting of 5.0 FTE Gardeners and 1.0 FTE Park Section Supervisor, would remain at Harding Park during the renovation to oversee renovation of the golf courses and be trained by the construction contractor who would install new irrigation, drainage and other advanced infrastructure systems. Mr. McKenna further reports that the remaining 11.96 FTEs, consisting of 7.0 FTE Gardeners, 1.0 FTE Truck Drivers, a .33 FTE Operating Engineer, a .33 FTE Plumber, a .33 FTE Automotive Machinist, a .33 FTE

Pest Control Specialist, 1.65 FTE Tree Topper, a .33 FTE Tree Topper Supervisor I, a .33 FTE General Laborer and a .33 FTE Golf Program Director, would be assigned to the other four City-owned golf courses, including the Golden Gate Golf Course, the Lincoln Golf Course, the McLaren Golf Course and the Sharp Park Golf Course located in Pacifica, to accomplish needed deferred maintenance projects for the first six months of construction at Harding Park. These staff would then return to Harding Park during the last six months of construction to assist in the accomplishment of the final phases of the renovation of the proposed Harding Park renovation project.

6. According to Ms. Jaci Fong of the RPD and Ms. Mary King-Gorky of the RPD, Harding Park's budgeted revenue for FY 2001-2002 is $1,632,000. This budgeted revenue is less than normal Harding Park revenues of approximately $2,000,000 annually because the RPD anticipated closing Harding Park for the renovation project during FY 2001-2002. Revenues at Harding Park will not be collected during the 13-month renovation project from May of 2002 to June of 2003. Operating expenditures that will be reduced during the renovation project include $628,800 for a management agreement with Principled Women Committed to Growth, LLC (PWCG) and $43,500 of maintenance materials and supplies or total reduced costs of $672,300.

Ms. Fong also advises that until February of 2002, the RPD had a lease agreement with Mr. Ben Yamane to operate the restaurant at Harding Park. Ms. Fong reports that the lease expired on January 31, 2002 and Mr. Yamane chose not to continue the lease on a month-to-month basis until the closure of Harding Park in May of 2002. Ms. Fong advises that the RPD realized approximately $32,000 a year under that lease. The restaurant of Harding Park is presently closed.

The Budget Analyst estimates that the 13-month closure of Harding Park would result in a net loss of $959,700 as follows:

Reduced Operating Revenues less Expenditure Savings during the 13 Month Closure of Harding Park

Golf Fees – Harding Park—Reduced Revenue	($1,450,000)	
Golf Fees – Fleming Park – Reduced Revenue	(150,000)	
Restaurant Lease Revenue – Reduced Revenue	(32,000)	
Subtotal - Reduced Revenue		($1,632,000)
PWCG Management Agreement – Reduced Cost	628,800	
Materials and Supplies – Reduced Costs	43,500	
Subtotal - Expenditure Savings		672,300
Net Loss		($959,700)

Ms. King-Gorky states that the actual golf revenues from the operation of Harding Park during FY 2001-2002 will exceed budgeted revenues by approximately $370,000 because it was assumed that Harding Park would be closed sooner for the renovation project. This would partially offset the $959,700 revenue loss, reducing it to $589,700.

7. According to Ms. Fong, RPD is currently drafting a Request for Qualifications (RFQ) and a Request for Proposals (RFP) to select a manager for the pro shop and restaurant at Harding Park to begin after the renovated golf course is complete. Ms. Fong advises that RPD is drafting the RFQ and RFP at this time despite the fact that the clubhouse would not be completed until 2004 because RPD would need a manager in place when the course re-opens in June of 2003 and such manager would assume the duties of managing the clubhouse and restaurant when the clubhouse is complete.

8. Mr. McKenna advises that after the proposed project is completed, the new renovated Harding Park would require an additional 9.31 FTE personnel at an estimated annual cost, based on current salary rates of $638,754, including fringe benefits. These additional positions would maintain the grounds in an enhanced manner, beginning in the last three months of FY 2002-2003. Mr. McKenna anticipates funding these new positions from additional estimated revenues which will accrue to the

proposed Golf Fund beginning in FY 2002-2003 (see File 02-0197). The proposed additional 9.31 FTE personnel at an annual cost of $638,754 in Salaries and Fringe Benefits, based on current salary rates are as follows:

	Title	Salary	FTE	Total Salaries	Fringe Benefits	Total Increased Personnel Costs
3417	Gardener	$ 47,593	5.0	$ 237,962	$ 59,491	$ 297,453
7355	Truck Driver	59,537	2.0	119,074	29,768	148,842
7328	Operating Engineer	69,626	0.66	45,953	11,488	57,441
7347	Plumber	74,592	0.66	49,231	12,308	61,539
7313	Automotive Machinist	59,264	0.66	39,114	9,778	48,892
3424	Pest Control Specialist	59,606	0.33	19,670	4,917	24,587
			9.31			$ 638,754

9. As noted in the Budget Analyst report on the proposed agreemént with the Professional Golfer's Association (PGA) Tour (see File 02-0201) to make Harding Park the West Coast home of the PGA Tour Championship events, specific maintenance practices will be required to maintain Harding Park in accordance with PGA Tour standards. According to Mr. Hoy, such enhanced maintenance practices will require additional staffing which, based on current salary rates, would cost $638,754 annually as noted above and an additional $100,000 annual increase in materials and supplies, for total annual increased costs of $738,754, plus one-time equipment costs of an estimated $1,000,000. Such equipment may be lease-financed over three to five years. All of the increased expenditures are anticipated to be funded from increased golf revenues upon completion of the Harding Park Renovation project, according to Ms. Fong.

10. The proposed resolution requires the Board of Supervisors to adopt findings on the proposed project pursuant to CEQA. Mr. Hoy reports that the Planning Department has reviewed the proposed project and issued a Negative Declaration, which found no significant

environmental impacts, although the Planning Department has prescribed a number of mitigation measures. According to Mr. Paul Maltzer of the Planning Department, the findings in the proposed resolution are consistent with the Planning Department's findings pursuant to CEQA. Mr. Maltzer notes, however, that the original Negative Declaration was completed on October 30, 2000 rather than October 12, 2000. The proposed resolution should be therefore be amended to correctly reflect the date that the Negative Declaration was completed.

11. Attachment V provided by the RPD, is the Grant Information Forms for the two grants which includes the Disability Access Checklist.

Recommendations:

1. As noted in Comment No. 10, amend the proposed resolution to change the date on page 2, line 16 from October 12, 2000 to October 30, 2000.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors because of (a) the estimated net loss of one-time RPD operating revenues of $959,700 partially offset by surplus FY 2001-2002 Harding Park revenues of $370,000 which would reduce the one-time loss of operating revenues to $589,700 (see Comment No. 6), and (b) the increased annual costs of maintaining Harding Park of $738,754 including $638,754 for personnel based on current salary rates, $100,000 for materials and supplies, and $1,000,000 in initial one-time costs for equipment to be incurred by the RPD (see Comment No. 9). The Budget Analyst notes however that the RPD anticipates to fully fund such increased costs from increased golf revenues once the Harding Park Renovation Project is completed.

Harding and Fleming Golf Course Renovation

Golf Course Renovation Summary	
Project Management	$104,000
Construction Management	159,000
Design and Engineering	85,000
Subtotal	$348,000

Project Management

Budget: $104,000
FTE: 0.52

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Associate Civil Engineer	5206	$83	48	$3,984
0.44	Project Manager I	5504	$97	920	$89,240
0.04	Project Manager II	5506	$101	80	$8,080
0.02	Administrative Assistant	1446	$54	48	$2,592
0.52				1096	$103,896

Construction Management

Budget $159,000
FTE: 0.97

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.11	Assistant Civil Engineer	5204	$70	240	$16,800
0.75	Associate Civil Engineer	5206	$83	1560	$129,480
0.11	Administrative Assistant	1446	$54	220	$11,880
0.97				2020	$158,160

Design and Engineering

Budget $85,000
FTE: 0.50

Site Engineering (Topography, Survey)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.06	Associate Civil Engineer	5206	$83	120	$9,960
0.06	Civil Engineer	5208	$96	120	$11,520
0.02	Senior Civil Engineer	5210	$111	40	$4,440
0.06	Civil Engineering Associate	5364	$62	120	$7,440
0.02	Administrative Assistant	1446	$54	40	$2,160
0.21				440	$35,520

Electrical Engineering (Service and Site Power/Lighting)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.03	Associate Electrical Engineer	5238	$83	60	$4,980
0.02	Electrical Engineer	5240	$96	40	$3,840
0.01	Senior Electrical Engineer	5242	$111	20	$2,220
0.01	Administrative Assistant	1446	$54	20	$1,080
0.07				140	$12,120

Mechanical Engineering (Building Mechanical and Plumbing)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Assistant Mechanical Engine	5252	$70	40	$2,800
0.02	Mechanical Engineer	5256	$96	40	$3,840
0.01	Senior Mechanical Engineer	5258	$111	20	$2,220
0.02	Civil Engineering Associate	5364	$62	40	$2,480
0.01	Administrative Assistant	1446	$54	20	$1,080
0.08				160	$12,420

Landscape Architecture (Landscape at Building and Parking)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.10	Landscape Architect Associat	5272	$83	200	$16,600
0.02	Landscape Architect	5274	$96	40	$3,840
0.01	Senior Landscape Architect	5275	$111	20	$2,220
0.02	Administrative Assistant	1446	$54	40	$2,160
0.14				300	$24,820

Harding Park Clubhouse/Parking Lot/Site Utilities

Clubhouse Summary	
Project Management	$162,000
Construction Management	396,000
Design and Engineering	695,000
Subtotal	$1,253,000

Project Management

Budget $162,000
FTE: 0.79

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Project Manager I	5504	$97	40	$3,880
0.73	Project Manager II	5506	$101	1520	$153,520
0.02	Civil Engineer Assoc	5364	$62	40	$2,480
0.02	Administrative Assistant	1446	$54	40	$2,160
0.79				1640	$162,040

Construction Management

Budget $396,000
FTE: 2.36

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.11	Assistant Civil Engine	5204	$70	240	$16,800
0.92	Assoc Civil Engineer	5206	$83	1912	$158,696
0.50	Building Inspector	6331	$96	1040	$99,840
0.19	Senior Bldg. Inspecto	6333	$111	400	$44,400
0.39	Civil Engineering Assi	5362	$56	820	$45,920
0.13	Civil Engineering Ass	5364	$62	280	$17,360
0.11	Administrative Assist	1446	$54	240	$12,960
2.36				4932	$395,976

Design and Engineering

Budget $695,000
FTE: 4.39

Architecture (Building and Site Amenities)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.21	Arch. Assoc. I	5265	$70	440	$30,800
0.42	Arch. Assoc. II	5266	$83	880	$73,040
0.23	Architect	5268	$96	480	$46,080
0.11	Senior Architect	5270	$111	240	$26,640
0.32	Arch. Assist. I	5261	$56	660	$36,960
0.19	Arch. Assist. II	5262	$62	400	$24,800
0.08	Administrative Assistant	1446	$54	160	$8,640
1.56				3260	$246,960

Site Engineering (Topography, Survey)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Assoc Civil Engineer	5206	$83	80	$6,640
0.04	Civil Engineer	5208	$96	80	$7,680
0.01	Senior Civil Engineer	5210	$111	20	$2,220
0.04	Civil Engineering Ass	5364	$62	80	$4,960
0.01	Administrative Assist	1446	$54	20	$1,080
0.13				280	$22,580

Structural Engineering (Building and Site Structures)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.08	Assistant Civil Engineer	5204	$70	160	$11,200
0.10	Assoc Civil Engineer	5206	$83	200	$16,600
0.11	Civil Engineer	5208	$96	240	$23,040
0.10	Structural Engineer	5218	$111	200	$22,200
0.11	Civil Engineering Assistant	5362	$56	240	$13,440
0.08	Civil Engineering Assoc	5364	$62	160	$9,920
0.04	Administrative Assistant	1446	$54	80	$4,320
0.61				1280	$100,720

Hydraulic Engineering (Site Utilities)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.06	Assistant Civil Engine	5204	$70	120	$8,400
0.11	Assoc Civil Engineer	5206	$83	240	$19,920
0.04	Civil Engineer	5208	$96	80	$7,680
0.02	Senior Civil Engineer	5210	$111	40	$4,440
0.11	Civil Engineering Assi	5362	$56	240	$13,440
0.06	Civil Engineering Ass	5364	$62	120	$7,440
0.02	Administrative Assist	1446	$54	40	$2,160
0.42				880	$63,480

Electrical Engineering (Building Power and Lighting)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.06	Assistant Electrical Engineer	5236	$70	120	$8,400
0.11	Assoc Electrical Engineer	5238	$83	240	$19,920
0.08	Electrical Engineer	5240	$96	160	$15,360
0.04	Senior Electrical Engineer	5242	$111	80	$8,880
0.11	Civil Engineering Assistant	5362	$56	240	$13,440
0.06	Civil Engineering Assoc	5364	$62	120	$7,440
0.04	Administrative Assistant	1446	$54	80	$4,320
0.50				1040	$77,760

Mechanical Engineering (Building Mechanical and Plumbing)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.08	Assistant Mechanical	5252	$70	160	$11,200
0.11	Assoc Mechanical En	5254	$83	240	$19,920
0.08	Mechanical Engineer	5256	$96	160	$15,360
0.04	Senior Mechanical En	5258	$111	80	$8,880
0.11	Civil Engineering Assi	5362	$56	240	$13,440
0.08	Civil Engineering Ass	5364	$62	160	$9,920
0.04	Administrative Assist	1446	$54	80	$4,320
0.54				1120	$83,040

Landscape Architecture (Landscape at Building and Parking)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.10	Landscape Architect Assoc I	5262	$70	200	$14,000
0.08	Landscape Architect Assoc II	5272	$83	160	$13,280
0.06	Landscape Architect	5274	$96	120	$11,520
0.02	Senior Landscape Architect	5275	$111	40	$4,440
0.04	Civil Engineering Assoc	5364	$62	80	$4,960
0.02	Administrative Assistant	1446	$54	40	$2,160
0.31				640	$50,360

Traffic Engineering (Parking Lot, Grading)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.08	Traffic Engineer	5230	$83	160	$13,280
0.08	Senior Traffic Engine	5232	$96	160	$15,360
0.15	Civil Engineering Ass	5364	$62	320	$19,840
0.01	Administrative Assist	1446	$54	24	$1,296
0.32				664	$49,776

Provided by RPD

Harding Park Maint. Facility/Parking Lot/Site Utilities

Project Management

Budget $27,000
FTE: 0.14

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Asst Civil Engineer	5204	$70	40	$2,800
0.11	Project Manager II	5506	$101	220	$22,220
0.02	Administrative Assistant	1446	$54	40	$2,160
0.14	TOTAL:			300	$27,180

Construction Management

Budget $103,000
FTE: 0.57

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Asst Civil Engineer	5204	$70	80	$5,600
0.11	Assoc. Civil Engineer	5206	$83	240	$19,920
0.25	Building Inspector	6331	$96	520	$49,920
0.06	Senior Bldg. Inspector	6333	$111	120	$13,320
0.08	Civil Engineering Assoc.	5364	$62	160	$9,920
0.04	Administrative Asst	1446	$54	80	$4,320
0.57				1200	$103,000

Maintenance Facility Summary	
Project Management	$27,000
Construction Management	103,000
Design and Engineering	142,000
	$272,000

Design and Engineering

Budget $142,000
FTE: 0.89

Architecture (Building and Site Amenities)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Architect Assoc. I	5265	$70	80	$5,600
0.02	Architect Assoc. II	5266	$83	40	$3,320
0.06	Architect	5268	$96	120	$11,520
0.02	Senior Architect	5270	$111	40	$4,440
0.04	Architect Assist. I	5261	$56	80	$4,480
0.02	Architect Assist. II	5262	$62	40	$2,480
0.01	Administrative Asst	1446	$54	20	$1,080
0.20				420	$32,920

Traffic Engineering (Parking Lot, Grading)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Traffic Engineer	5230	$83	40	$3,320
0.01	Senior Traffic Engine	5232	$96	20	$1,920
0.06	Civil Engineering Ass	5364	$62	120	$7,440
0.01	Administrative Asst	1446	$54	20	$1,080
0.10				200	$13,760

Structural Engineering (Building (Slab Only) and Site Structures)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Asst Civil Engineer	5204	$70	80	$5,600
0.02	Assoc. Civil Engineer	5206	$83	40	$3,320
0.01	Civil Engineer	5208	$96	20	$1,920
0.01	Structural Engineer	5210	$111	20	$2,220
0.01	Administrative Asst	1446	$54	20	$1,080
0.09				180	$14,140

Landscape Architecture (Landscape at Building and Parking)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Landscape Architect	5262	$70	40	$2,800
0.04	Landscape Architect	5272	$83	80	$6,640
0.02	Landscape Architect	5274	$96	40	$3,840
0.01	Senior Landscape Ar	5275	$111	20	$2,220
0.02	Civil Engineering Ass	5364	$62	40	$2,480
0.01	Administrative Asst	1446	$54	20	$1,080
0.11				240	$19,060

Hydraulic Engineering (Site Utilities)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Asst Civil Engineer	5204	$70	40	$2,800
0.04	Assoc. Civil Engineer	5206	$83	80	$6,640
0.02	Civil Engineer	5208	$96	40	$3,840
0.01	Senior Civil Engineer	5210	$111	20	$2,220
0.04	Civil Engineering Asst	5362	$56	80	$4,480
0.02	Civil Engineering Assoc.	5364	$62	40	$2,480
0.01	Administrative Asst	1446	$54	20	$1,080
0.15				320	$23,540

Mechanical Engineering (Building Mechanical and Plumbing)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Asst Mechanical Engi	5252	$70	40	$2,800
0.04	Assoc. Mechanical E	5254	$83	80	$6,640
0.02	Mechanical Engineer	5256	$96	40	$3,840
0.01	Senior Mechanical En	5258	$111	20	$2,220
0.02	Civil Engineenng Asst	5362	$56	40	$2,240
0.01	Civil Engineering Ass	5364	$62	20	$1,240
0.01	Administrative Asst	1446	$54	20	$1,080
0.12				260	$20,060

Electrical Engineering (Service and Site Power/Lighting)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Assoc. Electrical Engineer	5238	$83	80	$6,640
0.02	Electrical Engineer	5240	$96	40	$3,840
0.01	Senior Electrical Engineer	5242	$111	20	$2,220
0.02	Civil Engineering Asst	5362	$56	40	$2,240
0.02	Civil Engineering Assoc.	5364	$62	40	$2,480
0.01	Administrative Asst	1446	$54	20	$1,080
0.11				240	$18,500

Provided by RPD

Driving Range

Project Management

Budget $24,000
FTE: 0.13

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Assistant Civil Engineer	5204	$70	80	$5,600
0.08	Project Manager II	5506	$101	160	$16,160
0.02	Administrative Assistant	1446	$54	40	$2,160
0.13				280	$23,920

Driving Range Summary	
Project Management	$24,000
Construction Management	68,500
Design and Engineering	50,000
Subtotal	$142,500

Construction Management

Budget $68,500
FTE: 0.43

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Assistant Civil Engineer	5204	$70	80	$5,600
0.25	Associate Civil Engineer	5206	$83	520	$43,160
0.02	Building Inspector	6331	$96	40	$3,840
0.11	Civil Engineering Associate	5364	$62	240	$14,880
0.01	Administrative Assistant	1446	$54	20	$1,080
0.43				900	$68,560

DPW Summary	
Golf Course Renovation	$348,000
New Clubhouse	1,253,000
New Maintenance Facility	272,000
New Driving Range	142,500
Total DPW Services	$2,015,500

Design and Engineering

Budget $50,000
FTE: 0.29

Architecture (Building and Site Amenities)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Arch. Assoc. I	5265	$70	80	$5,600
0.02	Architect	5268	$96	40	$3,840
0.01	Senior Architect	5270	$111	20	$2,220
0.02	Arch. Assist. II	5262	$62	40	$2,480
0.01	Administrative Assistant	1446	$54	16	$864
0.09				196	$15,004

Structural Engineering (Building (Slab Only) and Site Structures)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Associate Civil Engineer	5206	$83	40	$3,320
0.01	Civil Engineer	5208	$96	20	$1,920
0.01	Structural Engineer	5210	$111	20	$2,220
0.01	Administrative Assistant	1446	$54	20	$1,080
0.05				100	$8,540

Landscape Architecture (Landscape at Building and Parking)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.04	Landscape Architect Associate II	5272	$83	80	$6,640
0.02	Landscape Architect	5274	$96	40	$3,840
0.01	Senior Landscape Architect	5275	$111	20	$2,220
0.01	Administrative Assistant	1446	$54	16	$864
0.07				156	$13,564

Electrical Engineering (Service and Site Power/Lighting)

FTE	Title	Class No.	Hrly Rate	Hrs	Totals
0.02	Associate Electrical Engineer	5238	$83	40	$3,320
0.02	Electrical Engineer	5240	$96	40	$3,840
0.01	Senior Electrical Engineer	5242	$111	20	$2,220
0.02	Civil Engineering Associate	5364	$62	40	$2,480
0.01	Administrative Assistant	1446	$54	20	$1,080
0.08				160	$12,940

Accept and Expend Grant Resolution - Budget Summary

Title: Harding Park Projects, funded by:
California State Proposition 12 (March 2000) - Per Capita Allocation, and
Roberti Z'berg Harris Block Grant Program
Gift from the First Tee Program
Open Space Funds (Local Property Tax Assessment – March 2000, Prop. C)

Amount: The Harding and Fleming Golf Course Renovation Project (collectively described as the Harding Park Projects) will consist of four separate projects as detailed below. The total cost of the four publicly funded projects is $16,027,610.

1.	Course Renovation	$8,419,210
2.	Clubhouse Renovation	5,512,000
3.	Maintenance Facility	1,214,000
4.	Range Renovation	882,400
	Total	**$16,027,610**

Source of Funds: The source of funds is California State Proposition 12, passed by the voters of California in March of 2000. The proposed Board of Supervisors resolution authorizes the Department to apply for the available State grant monies and to accept and expend the monies on the Project and, to the extent the amount of funds exceed the costs of the Project, for other as yet unspecified projects. The resolution also makes necessary CEQA and General Plan consistency findings related to the Project.

•	Per Capita Allocation	$ 8,111,000
•	Roberti Z'berg Harris Block Grant	5,016,627
•	Matching Funds (Gift from First Tee)	750,000
•	Matching Funds (Open Space Funds)	2,149,983
	Total	**$16,027,610**

Need and Purpose: 1. **Harding and Fleming Golf Course Renovations**

The proposed project would renovate and upgrade the two existing golf courses at Harding Park, a triangular area of land that extends into Lake Merced, in the southwestern comer of San Francisco. The project would remove and replace the existing grasses that cover the tees, fairways, greens, and roughs of both the 18-hole Harding course and the 9-hole Fleming course. At the Harding course, the project would re-align the 13th fairway and green; relocate the 18th green; and re-grade and shape portions of other holes to modify the existing course topography, add or relocate sand traps, tees, and greens; and improve course playability and drainage. The alignment of the existing nine-hole Fleming course would remain the same as at present although this course would also be improved with new grasses and minor ground reshaping. The project will install new irrigation equipment in both courses. Both courses would be closed for the duration of an approximate 12-month construction period. No work is planned for areas designated as wetlands.

Project Budget

The proposed budget for the Course Renovations project is as follows:

Project Cost	$8,419,210
Construction	7,106,210
Permits and Fees*	215,000
Project Management	104,000
Design and Engineering (Gift)**	750,000
Design and Engineering (City Forces)**	85,000
Construction Management	159,000
TOTAL	$8,419,210

*Although Permits and Fees vary by project need, they include costs to other City Agencies such as: DBI and DCP for permitting and plan check costs; DPW for street use permits; PUC for water and electrical service connections; DPT for review of traffic impact and routing; DPH for monitoring of hazardous material removal and contamination of groundwater.

**Design and engineering services for the course design are provided by the PGA tour under a private contract to the First Tee Program. These services will be a portion of a future gift to the City and County of San Francisco. The cost of those services is estimated at $750,000. The Design services provided by CCSF staff for the project consist of water and electrical service design for the course and stub outs for service to the Clubhouse and other buildings built under separate contracts.

Detailed costs for in-house labor and consulting contracts are attached on following sheets.

Need and Purpose: **2. Clubhouse Renovation**

This project would demolish existing buildings (except the existing cart barn) and construct replacement structures. A new clubhouse would be built south and west of the existing clubhouse location. The clubhouse would include a Pro Shop, Dining Facility, Administrative Offices and Restrooms. New site utilities would be provided for the clubhouse. The project would also demolish and replace the existing parking lots, generally in the same location as the existing main lot. The project would increase the number of on-site parking spaces by about 50, and would include lighting in the parking lot.

The new clubhouse would be constructed under a separate contract from the course renovation and completed on a different schedule. Temporary facilities will be provided following course renovation and during building construction to ensure play resumes as scheduled.

Project Budget
The proposed budget for the Clubhouse Renovation Project is as follows:

Project Cost	$5,512,000
Construction	4,074,000
Permits and Fees*	185,000
Project Management	162,000
Design and Engineering	695,000
Construction Manaoement	396,000
TOTAL	$5,512,000

*Although Permits and Fees vary by project need, they include costs to other City Agencies such as: DBI and DCP for permitting and plan check costs; DPW for street use permits; PUC for water and electrical service connections; DPT for review of traffic impact and routing; DPH for monitoring of hazardous material removal and contamination of groundwater.

Detailed costs for in-house labor and consulting contracts are attached on following sheets.

Need and Purpose: 3. **Maintenance Facility**

A new maintenance facility would be built on the southeastern portion of the site with access from Lake Merced Boulevard. The maintenance facility would replace the existing facility and be built as quickly as possible to allow for maintenance of the renovated course scheduled for completion in July of 2003. The facility would include parking for maintenance equipment, vehicles and staff and include areas for fertilizer, landscape materials and agronomic supplies. The facility will also provide a vehicle wash-down area to prevent fertilizers from migrating to nearby Lake Merced.

The need for a quick delivery of the building requires the maintenance facility be constructed under a separate contract from either the course renovation or clubhouse and completed on a different schedule. The existing maintenance facility will remain in operation until the new building is complete to ensure maintenance of the course continues as scheduled.

Project Budget
The proposed budget for the Maintenance Facility project is as follows:

Project Cost	$1,214,000
Construction	901,000
Permits and Fees*	41,000
Project Management	27,000
Design and Engineering	142,000
Construction Management	103,000
TOTAL	$1,214,000

*Although Permits and Fees vary by project need, they include costs to other City Agencies such as: DBI and DCP for permitting and plan check costs; DPW for street use permits; PUC for water and electrical service connections; DPT for review of traffic impact and routing; DPH for monitoring of hazardous material removal and contamination of groundwater.

Detailed costs for in-house labor and consulting contracts are attached on following sheets.

Need and Purpose: **4. Driving Range Renovation**

The Harding and Fleming Golf Course Renovation Project would construct a new driving range west of the proposed parking lot with 25 hitting stalls located on the ground level. The range would be built with artificial turf and include target greens, yardage markers and fencing. The artificial turf will significantly reduce maintenance and increase the life of equipment and practice balls. The turf would also allow for percolation of rainwater through the surface and into the ground water below, not effecting the level of Lake Merced.

The project will be developed with minimal design work and contracted pursuant to the Administrative Code to a Contractor specializing in Driving Range Construction. The proposed budget for the Driving Range Renovation project is as follows:

Project Cost	$882,400
Construction	709,900
Permits and Fees*	30,000
Project Management	24,000
Design and Engineering	50,000
Construction Management	68,500
TOTAL	$882,400

*Although Permits and Fees vary by project need, they include costs to other City Agencies such as: DBI and DCP for permitting and plan check costs; DPW for street use permits; PUC for water and electrical service connections; DPT for review of traffic impact and routing; DPH for monitoring of hazardous material removal and contamination of groundwater.

Detailed costs for in-house labor and consulting contracts are attached on following sheets.

Harding Range - Engineer's Estimate — Feb-02

	ITEM/DESCRIPTION	QUANTIT	UNI	UNIT PRICE	TOTAL
Clearing					
A	Clearing, removal and disposal of trees, brush, debris, etc.	5.5	AC	3,000.00	16,500
B	Stump Grinding	54	EA	225	12,150
C	Non-Selective Eradication of Turf	5.5	AC	175	963
D	Stripping of Thatch and Mat layer, ALLOWANCE	5.5	AC	935	5,143
E	Asphalt Removal and Disposal	1000	SF	1.5	1,500
F	Misc. Concrete Removal	52	CY	40	2,080
G	Clearing (Selective Clearing)	5.5	AC	2,200.00	12,100
I	Tree Protection Fencing	1700	LF	0.75	1,275
	SUBTOTAL				51,710
	Expected Bid Price (rounded)				51,700
	Contingency				5,200
	SUBTOTAL CONSTRUCTION COST				56,900
Construction					
A	Driving Range Landing Zone	216,000	SF	1.25	270,000
B	Driving Range Tee Line	4,500	SF	10.00	45,000
C	Target Greens (5)	12,500	SF	7.50	93,750
D	Putting Green	3,000	SF	10.00	30,000
E	Chipping Green	3,000	LF	10.00	30,000
F	Driving Range Fencing (60')	1,740	LF	71.75	124,845
	SUBTOTAL				593,595
	Expected Bid Price (rounded)				593,600
	Contingency				59,400
	SUBTOTAL CONSTRUCTION COST				653,000
	TOTAL CONSTRUCTION COST				709,900

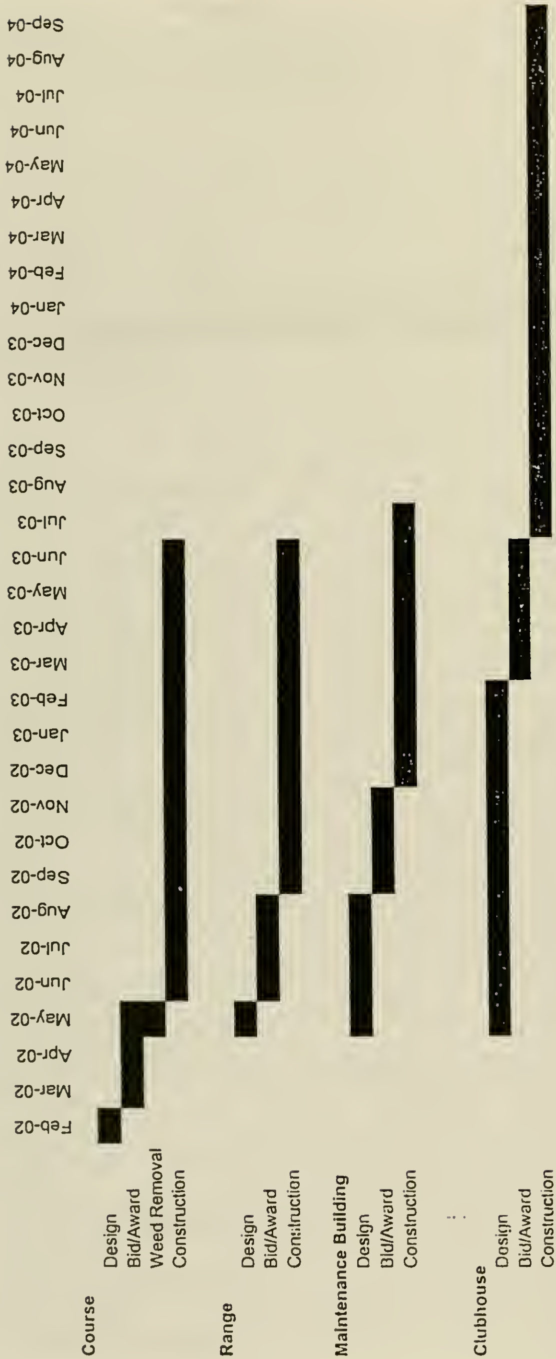
Harding Engineer's Estimate Feb-02

	ITEM/DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
	General Requirements				
A	Mobilization (not to exceed 2% of contract amount)	1	LS	550,000.00	550,000
	Performance Bond	1	LS	127,800.00	127,800
	SUBTOTAL				*677,800*
	Clearing				
A	Clearing, removal and disposal of trees, brush, debris, etc.	5	AC	3,000.00	15,000
B	Stump Grinding	250	EA	225	56,250
C	Non-Selective Eradication of Turf	138.24	AC	175	24,192
D	Stripping of Thatch and Mat layer, ALLOWANCE	100	AC	935	93,500
E	Asphalt Cart Path Removal and Disposal	6800	LF	3	20,400
F	Concrete Cart Path Removal	9200	LF	2.3	21,160
G	Zone "C" Clearing (Selective Clearing)	10.15	AC	2,200.00	22,330
H	Zone "C" Mulching	10.15	AC	2,364.50	24,000
I	Tree Protection Fencing	30000	LF	0.75	22,500
J	Memorial Bench (removal, storage and replacement, 7 items)	1	LS	5,600.00	5,600
	SUBTOTAL				*304,932*
	Sediment and Erosion Control				
A	Fiber roll	1950	LF	6	11,700
B	Silt Fence/ Fiber roll	5850	LF	10	58,500
C	Silt Fence/ Fiber roll with 10' wide hydroseeding band	1950	LF	12	23,400
	SUBTOTAL				*93,600*
	Earthwork				
A	Bulk Cuts, (estimate, 8950 cut, 1450 fill, 7500 export)	1	LS	23,700.00	23,700
B	Borrow/ Bury Pits, ALLOWANCE	27000	CY	2.65	71,550
C	Excavation/ Replacement of Nematic Soils, (estimate, 6500 cy)	1	LS	34,450.00	34,450
D	Cut/Fill price for additional work	15400	CY	2.65	40,810
	SUBTOTAL				*170,510*
	Rough Shaping				
A	Harding Park and (2) putting greens shaping	1	LS	240,000.00	240,000
B	Fleming Course shaping	1	LS	90,000.00	90,000
	SUBTOTAL				*330,000*
	Course Drainage				
A	4" PVC Perf. Pipe w/ Gravel and Wire (not shown) ALLOWANCE	3,500	LF	5.25	18,375
B	4" PVC Solid Pipe ALLOWANCE	3,500	LF	4	14,000
C	6" PVC Perf. Pipe w/ Gravel and Wire (not shown) ALLOWANCE	3,500	LF	7.5	26,250
D	6" PVC Solid Pipe ALLOWANCE	3,500	LF	6	21,000
E	8" PVC Solid Pipe ALLOWANCE	1,000	LF	7.25	7,250
F	8" Catch Basin w/ Perf. Riser w/ Cast Iron Grate ALLOWANCE	10	EA	225	2,250
G	18" Catch Basin w/ Perf. Riser w/ Cast Iron Grate ALLOWANCE	10	EA	375	3,750
H	PermaBasins Model PB1800 (in f'ways) ALLOWANCE	10	EA	185	1,850
I	PermaBasins Model PB2400 (in f'ways) ALLOWANCE	10	EA	225	2,250
J	Inspection Basin ALLOWANCE	100	EA	350	35,000
	SUBTOTAL				*131,975*
	Irrigation				
A	Irrigation System Complete	1	LS	1,323,800.00	1,323,800
	SUBTOTAL				*1,323,800*
	Greens Construction (175,000 SF)				
A	4" PVC Perf. Pipe w/ Gravel and Wire	12,700	LF	5.25	66,675
B	4" PVC Solid Pipe	2750	LF	4	11,000
C	6" PVC Solid Pipe	3300	LF	6	19,800
D	6" PVC Perf. Pipe w/ Gravel and Wire	3,300	LF	7.5	24,750
E	4" Gravel Layer	175,000	SF	0.72	126,000
F	12" Compacted Greens mix	175,000	SF	2.99	523,250
H	30 mil Plastic Liner w/ Tracer Wire	8,250	LF	2	16,500
I	Slice Valves and fittings	60	EA	145	8,700
J	Jumbo Valve Boxes	30	EA	85	2,550
K	6" Valve Boxes	60	EA	40	2,400
L	6" Cam lock Adapter and fittings	30	EA	135	4,050

	SUBTOTAL				*805,675*
	Tee Construction				
A	Championship Practice Tees Construction (1@2)	20,000	SF	1.05	21,000
B	4" PVC Perf. Pipe w/ Gravel @ Wire (Championship Tees only)	800	LF	5.25	4,200
C	4" Solid Pipe (Championship Tees Only)	300	LF	4	1,200
	SUBTOTAL				*26,400*
	Bunker Construction				
A	Sand and Installation , ALLOWANCE	100,000	SF	0.95	95,000
B	4" PVC Perf. Pipe w/ Gravel and Wire, ALLOWANCE	4,000	LF	5.25	21,000
C	4" Solid Pipe, ALLOWANCE	1,000	LF	4	4,000
	SUBTOTAL				*120,000*
	Cleanup and Finish Grading				
A	Clean up and Finish Grading: 2 putting greens, Harding Course	1	LS	127,000.00	127,000
B	Clean up and Finish Grading, Fleming Course	1	LS	63,500.00	63,500
	SUBTOTAL				*190,500*
	Cart Paths (Concrete)				
A	8' wide, ALLOWANCE	18,000	LF	16	288,000
B	10' wide, ALLOWANCE	10,000	LF	19.65	196,500
C	4" Concrete curbs, ALLOWANCE	10,000	LF	3.7	37,000
	SUBTOTAL				*521,500*
	Grassing				
A	Fairways, estimated 78 acres				
A1	Spreading Soil Amendments	78	AC	650	50,700
A2	Pre-Plant Fertilization	78	AC	300	23,400
A3	Seeding of Fairways	78	AC	1,265.00	98,670
A4	Install Curlex 1 including staples	435,600	SF	0.135	58,806
A5	Crimped Straw	68	AC	855	58,140
B	Roughs, estimated 46 acres				
B1	Spreading Soil Amendments	46	AC	650	29,900
B2	Pre-Plant Fertilization	46	AC	300	13,800
B3	Seeding of Roughs	46	AC	1,200.00	55,200
B4	Install Curlex 1 including staples	435,600	SF	0.135	58,806
B5	Sodding of Roughs	435,600	SF	0.32	139,392
B6	Crimped Straw	26	AC	855	22,230
C	Greens				
C1	Spreading Soil Amendments	175,000	SF	0.009	1,575
C2	Pre-Plant Fertilization	175,000	SF	0.008	1,400
C3	Seeding	175,000	SF	0.035	6,125
D	Tees				
D1	Spreading Soil Amendments	296,000	SF	0.015	4,440
D2	Pre-Plant Fertilization	296,000	SF	0.007	2,072
D3	Seeding	296,000	SF	0.029	8,584
	SUBTOTAL				*633,240*
	Sewer Work				
A	Trench Support	1	LS	20000	20,000
B	Precast concrete Manhole - type A	2	EA	4000	8,000
C	12" diameter VCP pipe	168	LF	140	23,520
D	8" diameter VCP pipe	1,114	LF	90	100,260
E	Cleanouts	3	EA	4000	3,000
F	Post Construction TV	1	LS	1000	1,000
	SUBTOTAL				*155,780*
	Electrical Work				
A	Pull Box	4	EA	450	1,800
B	Schedule 80 Conduit w/ pull rope	2,600	LF	25	65,000
E	Stainless steel pedestal panel	1	EA	2000	2,000
	SUBTOTAL				*68,800*
	Mechanical Water Line Work				
A	DCDA Assembly (10")	4	LS	18750	75,000
B	4" copper pipe	1,220	LF	31	37,820
C	12" diameter ductile iron pipe	5,000	LF	54	270,000

D	6" diameter ducticle iron' pipe	5,540	LF	42	232,680
	SUBTOTAL				*615,500*

SUBTOTAL:				**6,170,012**
Expected Bid Price (rounded)				**6,170,000**
Contingency				**617,000**
Other Construction Work				
Tree Removal Work (136 Trees w/ disposal)	1	LS	184000	184,000
Hazardous Material Abatement (BCM Contract)	1	LS	55000	55,000
Maintenance During Grow In (6 months)	1	LS	80210	80,210
TOTAL CONSTRUCTION COST:				**7,106,210**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Design
Bid/Award
Weed Removal
Construction
Range
Design
Bid/Award
Construction
Maintenance Building
Design
Bid/Award
Construction
Clubhouse
Design
Bid/Award
Construction

Grant Information Form

File Number: ____________________ (Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a department to accept and expend grant funds.
The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **Roberti-Z'berg Harris Urban Open Space and Recreation Program Block Grant**
2. Department: **Recreation and Park Department**
3. Contact Person: **Gary Hoy** Telephone: **(415) 581-2552**
4. Grant Approval Status (check one):
   [X] Approved by funding agency [ ] Not yet approved
5. Amount of Grant Funding Approved or Applied for: **$5,016,627**

6a. Matching Funds Required: **$2,149,983**
  b. Source(s) of matching funds (if applicable): **FY 02-03 Open Space Fund**

7a. Grant Source Agency: **California Department of Parks and Recreation**
  b. Grant Pass-Through Agency (if applicable): n/a

8. Proposed Grant Project Summary: **Renovation of Harding Park Golf Course**
9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: **July 1, 2001** End-Date: **March 1, 2009**

10. Number of new positions created and funded: **none**
11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services:
  b. Will contractual services be put out to bid? yes
  c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? yes
  d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? [ ] Yes [x] No
  b1. If yes, how much?
  b2. How was the amount calculated?
  c. If no, why are indirect costs not included?
    [ ] Not allowed by granting agency [X] To maximize use of grant funds on direct services
    [ ] Other (please explain):

14. Any other significant grant requirements or comments: _________

Disability Access Checklist

15. This Grant is intended for activities at (check all that apply):
    [ ] Existing Site(s) [ ] Existing Structure(s)
    [ ] Existing Program(s) or Service(s) [ ] Rehabilitated Site(s)
    [ ] Rehabilitated Structure(s) [ ] New Program(s) or Service(s)
    [ ] New Site(s) [ ] New Structure(s)

16. The departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:
Comments: n/a

Departmental or Mayor's Office of Disability Reviewer:

Rec. Park 2/14/02
(Name) (Date Reviewed)

Melanie L. Logue ADA Coordinator
(Name) (Title)

Melanie L. Logue
(Signature)

Grant Information Form

File Number: ______________________ (Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a department to accept and expend grant funds.
The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Per Capita
2. Department: Recreation and Park Department
3. Contact Person: Gary Hoy Telephone: (415) 581-2552
4. Grant Approval Status (check one):
   [X] Approved by funding agency [] Not yet approved
5. Amount of Grant Funding Approved or Applied for: $8,111,000

6a. Matching Funds Required: $ N/A
  b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: California Department of Parks and Recreation
  b. Grant Pass-Through Agency (if applicable): n/a

8. Proposed Grant Project Summary: Renovation of Harding Park Golf Course
9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: July 1, 2000 End-Date: March 1, 2008

10. Number of new positions created and funded: 0
11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services:
  b. Will contractual services be put out to bid? yes
  c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? yes
  d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? [] Yes [x] No
  b1. If yes, how much?
  b2. How was the amount calculated?
  c. If no, why are indirect costs not included?
   [] Not allowed by granting agency [X] To maximize use of grant funds on direct services
   [] Other (please explain):

14. Any other significant grant requirements or comments: __________

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):
   [] Existing Site(s) [] Existing Structure(s)
   [] Existing Program(s) or Service(s) [] Rehabilitated Site(s)
   [ ] Rehabilitated Structure(s) [] New Program(s) or Service(s)
   [] New Site(s) [] New Structure(s)

16. The departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:
Comments: n/a

Departmental or Mayor's Office of Disability Reviewer:

Rec. Park 2/14/02
(Name) (Date Reviewed)

Melanie L. Luque ADA Coordinator
(Name) (Title)

Melanie L. Luque
(Signature)

Item 8 - File 02-0201

Departments: Recreation and Park Department (RPD)

Item: Resolution approving and authorizing a Master Tournament Agreement (Agreement) between the Professional Golfers' Association (PGA) Tour, Inc. and the City, acting by and through the RPD Commission, for the use of Harding Park Golf Course for the PGA Tour Championship events; adopting findings pursuant to the California Environment Quality Act; and adopting findings that such action is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

Purpose of the Agreement: The purpose of the proposed Agreement is to make Harding Park Golf Course, including Fleming Golf Course (Harding Park), the West Coast home of the PGA Tour Championship events.

Term of the Agreement: From the approval of the proposed Agreement until an expected termination date of December 31, 2012, but no later than December 31, 2015 (see Comment No. 1).

Right of Renewal: Three, nine-year extensions (see Comment No. 6).

Amount Payable by the PGA: Under the terms of the Agreement, the PGA would pay the RPD an up-front use fee of $250,000 for each PGA Tour Championship event held at Harding Golf Course. In addition, the PGA would pay the RPD from the PGA's net revenues from each Tour Championship event (a) up to an additional $130,000 to defray the City's costs related to each Tour Championship event in excess of the $250,000 use fee (see Comment No. 5); (b) up to $500,000 to the local Chapter of the First Tee Program; (c) $250,000 to make improvements to the Harding Golf Course, Fleming Golf Course and the surrounding areas; and, (d) 50 percent of all remaining net revenues realized by the PGA from each Tour Championship event in the City. All of the above payments would be adjusted based on an amount equal to the cumulative increases in the Bay Area Consumer Price Index (CPI) from the date of

the subject proposed PGA Agreement, except for the payment to the City of the 50 percent of all remaining net revenues from the Tour Championship events.

As stated in Attachment I, provided by Deputy City Attorney Michael Cohen, based on his discussions with the PGA, the profits from Tour Championship events vary widely, and the average net profit from the last three Tour Championship events was approximately $950,000. According to Mr. Cohen, if Tour Championship event net profit at Harding Park were also $950,000, under the terms of the proposed PGA Agreement, RPD would receive $380,000, including the $250,000 use fee and the $130,000 to defray additional costs of hosting the Tour Championship event. Mr. Cohen advises that the First Tee Program would receive $500,000 of the $950,000 in net profits under the terms of the subject proposed PGA Agreement and the remaining $70,000 ($950,000 less $380,000 less $500,000) would be retained by the PGA for charitable contributions to either the First Tee Program or the RPD. Therefore, according to Mr. Cohen, based on an average net profit of $950,000, there would be no additional net revenues for the PGA to share with the RPD. Mr. Cohen estimates that the PGA Tour Championship event would need to net more than $1,260,000 before the RPD would share in the 50 percent of the remaining net revenues from a Tour Championship event.

The First Tee Program is a non-profit organization, which is funded by the PGA, Ladies Professional Golfers Association (LPGA), the United States Golfers Association (USGA), other major golf organizations, as well as local charitable contributions. The First Tee Program provides golf programs designed to bring youth of all ethnic and socioeconomic backgrounds to the game of golf. The First Tee Program would be located at Harding Park following completion of the proposed renovation project (see Comment 4).

Description:

The proposed resolution would approve the Master Tournament Agreement (Agreement) between the Professional Golfer's Association (PGA) and the RPD to make Harding Park the West Coast home of the PGA Tour Championship events. According to Mr. Cohen, the PGA also has an East Coast home located at East Lake

Golf Course in Atlanta, Georgia and two Mid-West homes located at Southern Hills Golf Course in Tulsa, Oklahoma and Champions' Golf Course in Houston, Texas for the PGA Tour Championship events. The PGA would alternate holding the Tour Championship events between the East Coast, Mid-West and West Coast locations. Mr. Cohen advises that Fleming Golf Course would be used as a practice facility for the professional golfers participating in the Tour Championship event. According to Mr. Cohen, the PGA's obligation to hold Tour Championship events at Harding Park is dependent upon (a) the RPD completing the Harding Park renovation project (see File 02-0286), (b) allowing the First Tee Program to be established at Harding Park and (c) the RPD successfully achieving certain course maintenance standards for Harding Park.

Under the terms of the proposed Agreement, the PGA would hold a PGA Tour Championship event three times over a nine-year period commencing on January 1, 2006. Harding Park would be partially or completely closed to the public for the two-week period beginning four days before the start of the week-long Tour Championship event and ending on three days after the Tour Championship event is completed. Mr. Cohen advises that the Tour Championship event is typically held each year in late October or early November.

Additionally, under the terms of the proposed Agreement, each time a Tour Championship event is held at Harding Park the RPD would enter into a separate Tournament Facilities Agreement with the PGA, which would define the specific terms and conditions of each Tour Championship event, including the exact dates that the Tour Championship event is to be held at Harding Park Golf Course. Mr. Cohen advises that such Tournament Facilities Agreements between the RPD and the PGA would not be subject to separate Board of Supervisors approval, unless the individual Tournament Facilities Agreement differs materially from the subject proposed PGA Master Tournament Agreement.

The proposed resolution also adopts the findings that the proposed Harding Park renovation project (see File 02-0286) would be conducted pursuant to the California

Environmental Quality Act and that the Harding Park renovation project is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1

Comments:

1. According to Mr. Cohen, the proposed Agreement between RPD and the PGA would become effective upon Board of Supervisors approval but the nine-year period in which the PGA agrees to hold three Tour Championship events at Harding Golf Course commences on January 1, 2006 because the PGA has already committed to hold its Tour Championship events at the PGA's East Coast home and the two Mid-West homes through 2005. Mr. Cohen advises that under the terms of the proposed Agreement, the PGA could hold any one of the three Tour Championship events at Harding Park at any time over the nine-year period, although the expectation is that Harding Park would host the Tour Championship event in years 2006, 2009 and 2012. The subject Agreement would terminate on December 31 of the year in which the third Tour Championship event is held at Harding Golf Course but no later than 2015, according to Mr. Cohen.

2. Ms. Jaci Fong, Property Manager of RPD, advises that to her knowledge, the PGA selects Tour Championship sites based on different criteria, including the location of the golf course, the quality of the golf course layout and the condition of the golf course.

3. As noted above, the PGA's obligation to hold Tour Championship events at Harding Park is dependent upon (a) the RPD completing the Harding Park renovation project at a total project cost of $16,027,610, which includes $12,791,110 for construction (see File 02-0286), (b) allowing the First Tee Program to be established at Harding Park and (c) the RPD successfully achieving certain course maintenance standards for Harding Park. As shown on Attachment II, provided by RPD, Ms. Fong advises that the only incremental capital improvement project costs associated with Harding Park serving as the West Coast home of the PGA Tour Championship event is the cost to the City of installing championship golf tees on the Harding Golf Course. Ms. Fong states that the cost estimate for the Championship Tees is approximately $26,400 of the total construction costs of $12,791,110. As

shown on Attachment II, Ms. Fong asserts that all other renovations proposed as part of the Harding Park renovation project would be made even if Harding Park were not the West Coast home of the PGA Tour. According to Ms. Fong, RPD would have proceeded with the proposed Harding Park renovation project even if Harding Park was not going to become the West Coast home of the PGA Tour Championship events. As shown in Attachment II, the total project cost of the proposed Harding Park renovation project is $16,027,610 (see File 02-0286).

4. According to Mr. Cohen, establishment of the First Tee Program at Harding Park includes the conversion of the existing restaurant structure into a classroom and the existing driving range into a practice facility for the First Tee Program. According to Ms. Fong, subject to future approval by the Board of Supervisors, the RPD anticipates entering into a lease agreement with the First Tee Program for the existing restaurant facility as a classroom facility and the existing driving range as a practice facility at Harding Park. Mr. Gary Hoy of RPD reports that the First Tee Program anticipates spending $750,000 in tenant improvements to convert the existing restaurant into a classroom facility for First Tee Program operations. The First Tee Program, Mr. Hoy reports, would also spend $850,000 to improve the existing driving range. The existing driving range would then be used exclusively by the First Tee Program, which is why the proposed Harding Park renovation project includes the construction of a new driving range. According to Mr. Cohen, these tenant improvements totaling $1,600,000 are in addition to the total project costs of $16,027,610 for the Harding Park renovation project (see File 02-0286). Mr. Hoy advises that these improvements would coincide with the golf course construction at Harding Park and would be complete in June of 2003. Mr. Hoy states that the First Tee Golf Program is estimated to serve 400 youth annually.

5. Attachment III, provided by the RPD, is a list of the maintenance standards that Harding Park must meet in order for Harding Park to become the West Coast home of the PGA Tour. According to Mr. Dan McKenna, Superintendent of the Southern Division of RPD, the

"General Course Maintenance Operating Plan" in Attachment III outlines the standard maintenance practices that will be required for Harding Park once the proposed renovations are complete and represents sound golf course maintenance practices irrespective of the PGA Tour Championship.

Mr. McKenna advises that these standard maintenance practices would require an additional 9.31 FTE personnel in the RPD to maintain the golf greens at the Harding Park Golf Course and Fleming Golf Course, beginning in the last three months of FY 2002-2003. Mr. McKenna anticipates funding these positions from the proposed Golf Fund revenues (see File 02-0197) beginning in FY 2002-2003. The proposed additional 9.31 FTE personnel are as follows:

5.00 FTE	3417 Gardener
2.00 FTE	7355 Truck Driver
0.66 FTE	7328 Operating Engineer
0.66 FTE	7347 Plumber
0.66 FTE	7313 Automotive Machinist
0.33 FTE	3424 Pest Control Specialist
9.31 FTE	

The annual cost of these positions is $638,754, including fringe benefits, based on current salary rates. Additionally, Mr. McKenna advises that the annual materials and supplies costs for Harding and Fleming golf courses would increase from $50,000 in FY 2001-2002 to $150,000 in FY 2003-2004, an increase of $100,000 (see File 02-0286).

Mr. McKenna further advises that the "Championship-Specific Course Preparation Plan" in Attachment III outlines the specific maintenance standards required during Tour Championship events that would be subject to reimbursement under the proposed Agreement.

Ms. McKenna advises that the estimated additional maintenance costs per event associated with the Tour Championship-specific maintenance requirements is $365,000 per event. These costs would be reimbursed by the up to $380,000 in payments made by the PGA to RPD, including the $250,000 use fee and the reimbursement of

up to $130,000 for each Tour Championship event. According to Mr. McKenna, the costs of $365,000 per event include: (a) a total of $315,000 in overtime, including $267,750 in overtime for Gardeners and $47,250 in overtime for Truck Drivers to maintain the Harding and Fleming golf course greens for the period of six weeks prior to and during each Tour Championship event; and, (b) an additional $50,000 in materials and supplies for golf course maintenance when the City hosts the PGA Tour Championship event. Mr. McKenna advises that these cost estimates are based on current labor rates and current materials and supply costs.

Ms. Fong advises that the revenue from the PGA for each Tour Championship event would be appropriated during the annual budget process during years in which the Tour Championship event is to be held at Harding Park.

6. According to Mr. Cohen, the City and the PGA must mutually agree to exercise any one of the three, nine-year options to renew the subject PGA Master Tournament Agreement.

7. As shown in Attachment II, the RPD estimates that the loss of revenue from the two-week closure of Harding Park, including both Harding and Fleming golf courses during the Tour Championship event would range from $148,500 to $168,500. In Attachment I, Mr. Cohen claims that the lost revenue from the two week closure of Harding and Fleming Golf Courses would be offset by increased annual revenues the City will receive from non-resident golfers as a result of the course's identification with the Tour Championship event, which is estimated to be $500,000 annually.

8. The proposed resolution also authorizes the General Manager of the RPD to enter into any additions, amendments or other modifications to the Agreement that are in the City's best interest, but do not materially (a) decrease revenue to the City from the PGA; or, (b) increase the City's obligations or liabilities, in order to complete the terms of the proposed Agreement without subsequent Board of Supervisors approval.

9. The proposed resolution also requires the Board of Supervisors to adopt findings on the proposed project pursuant to CEQA. Mr. Hoy reports that the Planning Department has reviewed the proposed project and issued a Negative Declaration, which found no significant environmental impacts, although the Planning Department has proscribed a number of mitigation measures. According to Mr. Paul Maltzer of the Planning Department, the findings in the proposed resolution are consistent with the Planning Department's findings pursuant to CEQA. Mr. Maltzer notes, however, that the original Negative Declaration was completed on October 30, 2000 rather than October 12, 2000. The proposed resolution therefore, should be amended to correctly reflect the date that the Negative Declaration was completed.

Recommendations:

1. As noted in Comment No. 9 above, amend the proposed resolution to change the date on page 3, line 2 from October 12, 2000 to October 30, 2000.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Attachment I

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

MICHAEL S. COHEN
Deputy City Attorney

DIRECT DIAL: (415) 554-4722
E MAIL: Michael_Cohen@ci.sf.ca.us

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO: Maureen Singleton

COPIES: Jaci Fong
Amy Brown

FROM: Michael S. Cohen
Deputy City Attorney

DATE: March 20, 2002

RE: Harding

Please find below a summary of my conversations with the PGA TOUR regarding historic revenues:

The PGA TOUR stated that profits from tournaments like the Tour Championship vary widely, depending on, among other things, the efforts of the host community, including local corporate sponsors, and its appeal as a tourist destination. One of the reasons that the TOUR is willing to make San Francisco the west-coast home for the Championship is that it believes San Francisco will be a very strong site. According to the PGA TOUR, net profits from the last three TOUR Championships that would be available for distribution to the City and the First Tee program under the Master Tournament Agreement averaged approximately $950,000, and that comparable recent events with strong local support have earned in excess of $5,000,000 in net profits available for distribution.

Also, as we discussed, I have asked our consultants at ERA to calculate the direct financial benefit, in terms of increased non-resident greens fees, of hosting the PGA TOUR Championship. According to ERA, the City will be able to charge non-residents at least 25% more because of the course's identification (and resulting media coverage) as the "west-coast home" of the PGA TOUR Championship than if the course did not host the Championship. Assuming (as we have in our pro-formas) that historic levels of resident play are preserved and non-residents are limited to 25,000 rounds per year (5,000 of which are offered at a discount to Bay Area residents, and 5,000 of which are offered at a premium for advance reservations directed at out-of-towners), the City would earn approximately $500,000 extra dollars from non-resident play each year ($1,500,000 total each tournament cycle) because of the Championship. The subsidy this model creates is the reason the City can keep resident rates affordable and still fully repay the costs of restoring Harding Park.

CITY HALL · 1 DR. CARLTON B. GOODLETT PLACE, SUITE 234 · SAN FRANCISCO, CALIFORNIA 94102-4682
RECEPTION: (415) 554-4700 · FACSIMILE: (415) 554-4755

MEMORANDUM

DATE: March 20, 2002

TO: Maureen Singleton
Katie Fitzpatrick
Budget Analyst Office

FROM: Jaci Fong

CC: Elizabeth Goldstein
Gary Hoy
Dan McKenna
Mary King-Gorky
Amy Brown
Michael Cohen
Angela Gengler

RE: Harding Park and PGA TOUR Championship Master Agreement

Here are our responses to your questions:

1. Harding Park will be closed to public play on May 2, 2002 to begin the renovation of the Harding Park Golf Course and the Fleming Golf Course. Renovations of these two golf courses should be completed by June 1, 2003 for a total closure of approximately 12 months. In addition, once the renovation has been completed, the PGA has agreed to make the Harding Park the west coast site of the PGA TOUR Championship once every three years beginning in 2006.

2. Per Dan McKenna, once the renovations at Harding Park are complete, the material and supplies costs will increase by $100,000 annually, from $50,000 to $150,000 (in line with industry standards). The increased materials and supplies costs would be funded from the proposed Golf Fund and would be appropriated during the annual budget process. To meet industry standards, staff on the renovated courses will be increased by 9.31 FTEs. This staff will be paid from the revenues in the Golf Fund as well. The proformas for the project accounted for the increased staffing at the course. The parameters recommended for the green fees were set with these proformas in mind.

3. The PGA TOUR does not normally enter into a Master Agreement to establish a course as the home of the TOUR Championship. However, since the TOUR Championship is a key

Source: Recreation and Park Department

to the success of this project, we felt the Board of Supervisors and the Recreation and Park Commission would want to have some assurance that the TOUR Championship would actually be played at Harding. The TOUR has graciously complied with our request.

4. The only additional construction cost associated with being the West Coast home of the PGA TOUR Championship for the proposed Harding Park renovation project is the cost of the Championship golf tees, which is estimated to cost $26,400 of the $12,791,110 in construction costs. Players in the TOUR Championship will actually be practicing on several of the fairways of the Fleming Course, not at either driving range. Anticipating the closure of the Mission Bay driving range, the new driving range is proposed for use by the public. The present driving range has a limited number of stalls, and cannot be lengthened without affecting the layout of the Fleming course. A good driving range is very profitable, and in this case adds to the economic viability of the project. All other renovations proposed as part of the Harding Park renovation project would have been completed even if Harding Park were not the West Coast home of the TOUR Championship. RPD would have conducted the proposed Harding Park renovation project even if Harding Park were not going to become the West Coast home of the PGA TOUR Championship. The total estimated cost of the Harding Park renovation project is $16,027,610, which includes $12,791,110 in construction costs.

5. Per Dan McKenna, our current costs estimates for hosting a TOUR Championship at $365,000, including $315,000 in overtime costs for gardeners and truck drivers to maintain the golf greens for six weeks prior to the event and during the event and $50,000 in materials and supplies. Dan McKenna advises that 85% or $267,750 of the overtime would be expended on the gardener classification. These costs would need to be adjusted by the CPI for 2006, the fist year in which the TOUR Championship is likely to be held at Harding Park. These Championship-specific costs are subject to preparation plan is subject to reimbursement under the terms of the agreement and is part of the user fees that the PGA will pay the City for holding the Tour Championship.

6. The Harding Park complex is our only golf facility which includes a driving range for teaching and practicing. The First Tee program is a proven youth golf program designed to make the game of golf affordable and accessible for children of varying economic and social backgrounds. The national office of the First Tee Program is funded and supported by the USGA, the LPGA and the PGA as well as other major golf organizations. Among other benefits, the First Tee provides access to discounts on apparel and equipment, for use by First Tee participants. The benefit to the City of a partnership with the First Tee Program is that it will allow us to greatly expand golf programs for youth without a commensurate increase in General Fund support. The Department will work with the local chapter of the First Tee Program to develop their program. Once the program is underway, we will work collaboratively with the First Tee to integrate our existing youth golf program. We will actively recruit youth into the First Tee program. Our directors will promote the program to youth and transport youth to the First Tee facility. In addition, the City will benefit from the proven First Tee curriculum that teaches "life skills" through golf; which can include the following components: 1) simple literacy as well as support for higher education, 2) community service, 3) mentoring, 4) technology and 5) speakers programs. The Department anticipates entering into a lease with the First Tee Program for the existing restaurant and existing driving range at Harding Park. The existing restaurant would be converted to a classroom facility and the existing driving range would be renovated for exclusive use by the First Tee Program as a practice facility. The costs of

those renovations will be borne by the First Tee Program and not the City. We anticipate that an agreement with the First Tee will be brought before the Board of Supervisors within the next six months.

7. Please see the memo regarding PGA revenue information from previous PGA TOUR Championships from Michael Cohen.

8. The revenue from the PGA would be appropriated through the annual budget process during tour years.

9. In reference to lost revenue to the course from the TOUR Championship, the following analysis was done by Gene Krekorian of ERA and is reflected in our pro formas. The assumption is that the Tournament will result in a reduction of approximately 2,200 rounds of play on Harding and 2,000 rounds of play on Fleming. The lost revenue associated with this play reduction is calculated as follows under Alternative Fee Structure No. I:

Revenue	Harding	Fleming
Green Fees	S90,000	$27,500
Carts	17,200	2,200
Merchandise (net of cost of goods sold)	4,700	1,400
Food & Beverage (net of cost of goods sold)	1,700	800
Driving Range Fees	2,000	1,000
Total	S115,600	$32,900

Thus, the estimated loss in revenue under Alternative Fee Structure No. I is $148,500. Under Alternative Fee Structure No. 6, the estimated loss in green fees would be $20,000 more. Since we have not yet determined the actual fee schedule, we are offering an estimate of the loss revenue in the range of $148,500 to $168,500.

If the TOUR Championship does well, our direct revenue from the event will more than offset the City's loss in revenue and additional maintenance costs through the Base Tournament Fee, revenue sharing mechanisms and funding provided to the First Tee Program proposed in the PGA TOUR Championship Master Tournament Agreement. In addition, the PGA TOUR estimates the economic impact to the community at $30 to $40 million each time the Tournament is hosted. The loss in revenue is more than offset by the "free advertising" the course will receive since the PGA TOUR Championship is a prestigious televised event, and the fact that the association with the TOUR Championship is what will allow us to charge a premium to certain non-resident golfers on an ongoing basis, generating incremental revenue even in years when the TOUR is not played at Harding Park. (See TOUR Championship Revenue information from Michael Cohen.)

EXHIBIT B

Course Conditioning Plans

Below are the general and Championship specific course conditioning guidelines for Harding Park. The guidelines are intended to assist the City in achieving Championship-caliber course conditions equivalent to other host venues for the Championship. Ultimate approval of course conditions remains at all times in the discretion of TOUR's Agronomy Department.

A. General Course Maintenance Operating Plan Summary

Following is the recommended weekly operating plan for the maintenance department at Harding Park Golf Courses to meet the RFP requirements and is subject to change based on site conditions and special requirements.

37. Greens will be mowed daily (7 times) by riding type greens mowers if necessary during the growing season. Care should be taken to limit the use of riding greens mowers all the time as wear patterns will develop and disease can be tracked on to the greens by the tires of the mowers. Single, walking type machines are to be used in place of the riding mowers during preparations 3 to 5 months prior to the tournament or at other times as dictated by conditions. n. Height of cut will vary 5/32 to 1/8 inch 5/32 inch to 1/8 inch or as conditions dictate.

38. Tees will be moved on M,W,F (3 times) during the growing season with triplex mowers where possible and walking mowers where excessive wear is a problem. Frequency will reduce during off season. Height of cut will vary ½ to ¼ inch or as conditions dictate.

39. Cups, tee placements, rope adjustments, ball washer service, course cleanup, ball mark repair, tee and fairway divot dressing and hand watering of greens and tees will be performed daily (7 times) or as needed.

40. Traps will be raked and edges groomed daily (7 times) or as needed to accommodate play. Weeds, debris and stones will be removed as they appear.

41. Fairways, approaches, green collars and intermediate roughs will be mowed on M,W,F (3 times) during the growing season and as necessary during the off season. Fairways will be mowed at ½ to ¾ inch, collars at 3/8 inch and for the tournament a close roughs at 1 inch or as conditions dictate.

42. Formal roughs will be continuously mowed to ensure a frequency of at least one complete mowing per week and trimmed as needed to maintain a

1.5 to 2.5 inch cutting height or as conditions dictate. Natural and informal roughs will be maintained at least at 4 inches or higher.

44. Slopes of greens and tees will be mowed twice a week at 1.5 days per mow, or as needed to maintain a cutting height of 1.5 to 2.5 inches or as conditions dictate.

45. Spraying and fertilizing will be done so as to not expose golfers during play hours. It is advisable that One day shall be set aside per week to perform these applications or they be performed at night with minimal golfers present and the appropriate re-entry times will be observed.

46. Irrigation repairs will be done as needed with a visual daily checkout of the system and a thorough analysis of the computer run data from the previous night. Adjustments to the program will be made only by trained and qualified personnel under the direction of the superintendent.

47. Course improvements will be done as scheduled with emphasis on not interfering with play. All projects will be aimed at completion by Thursday of the current week.

48. Aerifying and top-dressing shall be completed not less than two (2) times each year. Periodic light vericutting and top-dressings on greens and tees will be performed throughout the growing season as needed to maintain smoothness and speed.

49. Irrigation will be done sparingly throughout the season to conserve water, prevent leaching and encourage good root development. Evapotranspiration rates will be calculated by an on-site weather station for use in determining the amount of precipitation to be applied.

50. All grounds will be cleaned of paper and debris daily with special emphasis on the clubhouse and driving range area. Mowing shall be the same as the formal rough areas.

51. All grounds will be monitored for water needs and treated accordingly on a daily basis.

52. All beds will be weeded at least once per week.

53. All walks will be edged as needed and curb lines will be trimmed when mowed.

54. All shrubs will be pruned for shape in Spring and Fall and maintained weekly as needed.

55. All beds will be mulched where appropriate in Spring and maintained as required for color and weed control.

56. All flower beds will be maintained with the appropriate floral material throughout the growing season.

57. All ornamental trees except those on the golf courses will be fertilized with a liquid root feeding once in the Spring and once in the Fall.

58. All ornamental trees will be pruned in the Spring and late Fall for dead material and shaping.

59. All turf and plant material including trees will be treated with pesticides as needed during the season according to IPM principles.

60. All dead or dying ornamental plant material will be replaced as needed during the growing season. Material that has died in previous years will be replaced with appropriate trees and shrubs as practical.

61. All bare areas of high visibility and main street shoulders will be seeded or sodded as practical in Spring and maintained as required.

62. All sidewalks and parking areas will be kept free of ice and snow as required during the Winter months.

63. All transplanted trees will be monitored and watered if necessary throughout the dry season.

B. Championship-Specific Course Preparation Plan

Following is the recommended golf course tournament conditioning plan for the week of the PGA TOUR CHAMPIONSHIP. Ultimately, all course conditions must meet with the approval of PGA TOUR Agronomy staff, in their discretion. The Golf Course Superintendent will work with the PGA TOUR Agronomy and Rules staff at various times of the year and during Advance Week to accomplish all tasks required to set up the golf course for Tournament Week, to include but not be limited to:

- establishing the required frequency and cutting height for tees, fairways, approaches, roughs and intermediate roughs
- rolling, vertical grooming, topdressing, brushing, and establishing mowing heights and frequencies to meet the requested greens speed and smoothness
- ensuring the appropriate depth and firmness of all sand bunkers and ensuring that the bunkers are all free of contamination
- filling and maintaining all divots on tees and fairways with requested material
- repairing all ball marks on greens
- accomplishing all spraying for disease control and necessary fertilization to avoid additional applications during Tournament Week

- ensuring the irrigation system is in perfect working condition and establishing appropriate irrigation techniques for Tournament Week.

  It should be noted that approximately 1500-2000 additional staff hours will be required during the final few weeks leading up to and during Tournament Week to fully prepare the course for the event.

The following is the recommended plan for golf course maintenance operations during Tournament Week, beginning on Monday and ending on Sunday or as needed in case of a playoff. The work schedule will require two shifts, AM and PM, to complete the appropriate tasks before and after scheduled play each day.

Items 9 and 10 - Files 02-0198 and 02-0197

Departments: Recreation and Park Department (RPD)

Items: Item 9 – File 02-0198: Ordinance amending Article XII of the San Francisco Park Code by adding Section 12.12 thereto setting forth a revised fee structure for Harding Park and Fleming Golf Courses.

Item 10 – File 02-0197: Ordinance amending Chapter 10, Article XIII of the Administrative Code by adding Section 10.100-256 thereto, establishing the San Francisco Recreation and Park Golf Fund.

Description: Item 9 – File 02-0198:

The proposed ordinance would authorize the Recreation and Park Commission (Commission) to establish a new fee structure for greens fees at Harding Park and Fleming Golf Courses. The specific fees set by the Recreation and Park Commission would not be subject to approval by the Board of Supervisors, but would have to be within certain specific parameters set forth in the proposed ordinance as described below. The fees would be established by the Commission in the following manner, and subject to the conditions described below:

1. Target Revenues. Greens fees would be set annually at such levels to cumulatively generate an average minimum of $4,278,000 in annual revenues in 2002 dollars (i.e., subject to CPI adjustments in future years) at the Harding Park and Fleming Golf Courses in the first five fiscal years of operation following reopening of the Harding Park and Fleming Golf Courses after renovation ("Years 1-5"). The Target Revenue amount would be prorated if the Harding Park and Fleming Golf Courses reopen with less than a full fiscal year remaining in Year 1. In setting greens fees to achieve the Target Revenues, it would be assumed that legal residents of the City who hold current and valid cards issued for a fee by the Recreation and Park Department, identifying them as residents of the City, shall play 65 percent of total rounds played at Harding Park Golf Course, which represents historic levels of resident play, and that an

average of 76,560 rounds shall be played each full year at Harding Park Golf Course during Years 1-5 and an average of 64,600 rounds each full year at Fleming Golf Course during Years 1-5.

2. Optional Discounts. Greens fees at Harding Park Golf Course may be discounted for weekday rounds played by either City residents or non-residents, for weekday or weekend rounds played by Resident junior or senior golfers, and for twilight rounds played by either City residents or non-residents. Greens fees may be discounted for certain non-residents who live within close geographic proximity to the Harding Park and Fleming Golf Courses or who play with Residents ("Bay Area Residents"). If the Commission approves a discounted rate for Bay Area Residents, the Commission would set standards defining who shall qualify for such discounted rates and shall limit the number of rounds at that discounted rate for Bay Area Residents to no more than 5,000 rounds annually.

3. Optional Premium Rates. In exchange for advance reserved tee times, non-residents may be charged premium rates at Harding Park Golf Course.

4. Caps. The average cost per round of Resident greens fees at Harding Park Golf Course across any and all subcategories of Resident play (weekday, weekend, senior and junior) fees would not exceed $28 in Year 1, without consideration of Optional Discounts for junior or senior golfers. The average cost per round of non-resident greens fees at Harding Park Golf Course across any and all subcategories of non-resident play would not exceed $88 in Year 1. The average cost per round of Resident greens fees at Fleming Golf Course across any and all subcategories of Resident play (weekday, weekend, senior and junior) would not exceed $13 in Year 1. The average cost per round of non-resident greens fees at Fleming Golf Course across any and all subcategories of non-resident play (weekday and weekend) would not exceed $20 in Year 1.

5. Miscellaneous. Applicable weekend greens fee rates would be charged on Fridays, Saturdays and Sundays

8. Annual Increases. Upon the first day following the end of Year 1, regardless of whether Year 1 consisted of a full fiscal year or only a part thereof, and upon the first day of each fiscal year thereafter, greens fees for San Francisco residents at the Harding and Fleming Golf Courses may, with the approval of the Commission, be adjusted according to changes in the Consumer Price Index.

Item 10 – File 02-0197

The proposed ordinance would amend the Administrative Code by adding Section 10.100-256 to establish the San Francisco Recreation and Park Golf Fund. The San Francisco Recreation and Park Golf Fund would be established as a Category Four Fund[1] to receive, effective July 1, 2002, all revenues derived from any City Golf Courses under the jurisdiction of the Recreation and Park Department.

Under the proposed ordinance, all revenues derived from City Golf Courses, including Greens Fees and concession revenues, would be restricted to the following uses:

1. Operation and maintenance of the Golf Courses pursuant to budgets for each Golf Course annually approved by the Recreation and Park Commission and the Board of Supervisors, including general and administrative costs, and utilities, provided that the Department would not cause the maintenance standards for the Harding Park Golf Course to exceed the Maintenance Standards for Harding Park set forth in the City's Master Tournament Agreement with the PGA (see Item 8, File 02-0201);

2. An annual set aside within the Golf Fund of $250,000, increasing by the percentage change in the Consumer Price Index each year, beginning within twelve (12) months after Harding Park reopens after renovation (the "Project") and occurring every fiscal year thereafter, to be used exclusively for capital

[1] Under Administrative Code Section 10.100-1, a Category Four Fund: a) must receive appropriation approval by the Mayor and the Board of Supervisors; b) interest earnings shall accumulate to the Fund, and c) unexpended balances will be carried forward within the Fund.

and legal holidays. Applicable weekday rates apply on all other days. Greens fees for playing in tournaments, which are defined as a block of tee time(s) set aside for any group of 16 or more golfers, would be the same per tournament player as the greens fees charged to non-residents with advance reservations, if such a rate is set, and in any event would exceed the regular non-resident greens fees. Discount resident greens fees would not apply to tournament play by residents, who would pay the tournament rate set by the Commission without regard to Resident status. Weekend tournament greens fees would be greater than greens fees charged for weekday tournaments.

6. Commission to Select Final Rate Structure; Citizens Advisory Committee. The Commission would select a final greens fees structure which meets the parameters set forth in this proposed ordinance. The Commission would appoint a citizens advisory committee consisting of five (5) members to recommend to the Commission a greens fees structure for the Harding Park and Fleming Golf Courses chosen from one of the alternative fee structures detailed in the Attachment to this report, or that otherwise meets the criteria set forth in the proposed ordinance. The Commission would take the committee's recommendation into consideration in reaching a final decision regarding a fee structure for the Harding Park and Fleming Golf Courses. The fee alternatives shown in the Attachment to this report were developed by RPD staff and their consultant, Economic Research Associates.

7. Other Fees and Charges. The Commission would set all other fees charged at the Golf Courses, including, but not limited to, fees for motorized cart and pull cart usage, tournament fees, food and beverage charges, charges for driving range usage, reservation fees and cancellation fees, at levels comparable to those charged at golf courses of similar quality in the greater San Francisco Bay Area.

improvements and facilities maintenance projects at Harding Park;

3. Payments to the Park, Recreation and Open Space Fund (Open Space Fund), as described in City Charter Section 16.107, on a schedule and in amounts sufficient to pay the capital portion of the Open Space Fund the full cost of the Harding Park renovation Project paid from the proceeds of applicable State grant programs and excluding any charitable donations, beginning upon the conclusion of the Project, plus to pay the Open Space Fund generally interest on such principal amount at an annual rate determined once a year by the Commission, provided that such interest rate would at least equal to the greater of (a) the City's cost of borrowing funds under the Open Space Fund if and to the extent it has at the time the Commission makes such determination outstanding bonded indebtedness under the fund or (b) one percent less than the Prime domestic commercial lending rate in effect at such time of Bank of America or such other major financial institution selected by City, compounded annually, within twenty-five (25) years. Further, in any year that the actual annual Net Cash Flow received by the Department from the operation of the Harding Park and Fleming Golf Courses exceeds the projected Net Cash Flow for that year ("Bonus Profit") 25 percent of that amount would be applied to accelerate reimbursement to the Open Space Fund for the costs funded by the State grants and matching funds from the Open Space Fund of the Harding Park renovation project. and provided further that in any year in which the Bonus Profit exceeds One Million Dollars ($1,000,000), fifty percent (50%) of such Bonus Profit would be applied to accelerate repayment of the Open Space Fund for the costs funded by the State grants and matching funds from the Open Space Fund;

4. Improvements, renovations and capital expenditures at any of the Golf Courses upon approval of any such expenditures by the Recreation and Park Commission;

5. Payment of annual debt service of principal and interest thereupon for any debt-funded improvements and renovations at any of the Golf Courses upon necessary approvals by the Recreation and Park Commission and the Board of Supervisors

6. Capital improvements to the park and recreation areas contiguous to Harding Park and under the Department's jurisdiction, pursuant to plans approved by the Recreation and Park Commission. Upon future renovations of Golf Courses other than Harding Park, additional annual set asides for capital improvements would be established for recreation areas or parks under the Department's jurisdiction contiguous to each such improved Golf Course.

7. Administration of Fund. All expenditures from the San Francisco Recreation and Park Golf Fund are subject to approval of the Recreation and Park Commission and appropriation approval by the Board of Supervisors.

Comments:

1. The purpose of the "Target Revenue" amount set initially at $4,278,000 annually in the proposed Golf Fee ordinance (File 02-0198), is to provide sufficient revenue to operate and maintain Harding and Fleming Golf Courses upon completion of the Harding Park renovation, as described in File 02-0286, and to repay the Open Space Fund for the $13,127,627 amount of State grant funds used for the Harding Park renovation project plus $2,149,983 in matching funds from the Open Space Fund, for a total principal amount of $15,277,610, plus interest. The interest rate charged to repay the principal amount to the Open Space Fund would be determined annually by the Commission, and the payments would be amortized over a period of 25 years, subject to acceleration if the City earns "Bonus Profit". The proposed Golf Fund would reimburse the Open Space Fund because the original plan to renovate Harding Park would have required the issuance of lease revenue bonds according to Ms. Elizabeth Goldstein, General Manager of RPD. However, the use of available State grant funds for this purpose is a more efficient use of available funds,. The use of lease revenue bond proceeds to fund the renovation project

would have required the issuance of such bonds in a par amount that included bond issuance costs and capitalized interest in addition to the total renovation project cost of $16,027,610. According to Ms. Monique Moyer, Director of the Mayor's Office of Public Finance, a total lease revenue bond issuance of approximately $21.0 million would have been required to fund the renovation project costs, required issuance costs and capitalized interest for the Harding Park renovation project.

Ms. Goldstein adds that the use of State grant funds to fund the Harding Park renovation is consistent with the RPD's long range capital improvement plan, since the Harding Park renovation has always been part of the long range plan.

The Target Revenues of $4,278,000 annually is based on projected revenues, expenditures and net income prepared for the RPD by Economic Research Associates. These projections result in total net revenue to the proposed Golf Fund of between $1.5 million and $5.3 million over Years 1 through 5 of Harding Park operation following completion of the proposed Harding Park renovation project, depending on the fee structure alternative selected by the Recreation and Park Commission. The Budget Analyst has reviewed the pro forma statements prepared by ERA and found them to be reasonable given the assumptions used to prepare the projections. However, the projected revenues are based on a continuation of at least 35 percent non-resident play of the Harding Park Golf Course at significantly higher greens fees than presently paid by non-residents. Currently, the maximum fee paid by a non-resident is $28. Under the alternative fee structures detailed in the Attachment to this report, the maximum non-resident fee would range between $95 per round of golf and $125 per round of golf with the advance reservation premium. The ERA report notes that *"operating income projections for the alternatives assumes that the volume and mix of play among the various resident and non-resident categories does not change in response to the changes in the greens fees structure."*

2. The proposed Golf Fee ordinance permits the provision of a limited number of advance bookings of golf reservations for non-City residents (not to exceed 5,000 rounds) for an additional premium fee. Currently, City residents have preference for booking of reservations. Residents are able to book reservations seven days in advance, while non-City residents can book reservations six days in advance. According to Ms. Jaci Fong, of RPD, RPD does not currently intend to alter the preference afforded to City residents, except for the option of non-City residents to book reservations for an additional premium fee. However, the proposed fee ordinance contains no specific provision for continuation of preferential advance bookings for City residents.

3. The alternative fee structures shown in the Attachment to this report are designed to result in the Target Revenue of $4,278,000 annually based on the historical levels of play by City residents (65 percent of all rounds of golf played at Harding Park) and non-City residents (35 percent of all rounds of golf). The fee levels in the five alternatives shown in the Attachment to this report for City residents, not including discounted rates for Seniors and youth, range from $20 weekdays and $25 on weekends and holidays, to $25 weekdays and $40 weekends and holidays. Generally, if the higher non-resident rates are set in the fee alternative finally selected by the Recreation and Park Commission, the rates charged for City residents would be lower. All fees would be subject to the "caps" specified in the proposed ordinance described above. Currently, the maximum greens fee for City residents is $21 per round at Harding Park and the maximum greens fee for non-residents is $28.

4. According to Mr. Michael Cohen of the City Attorney's Office, the purpose of establishing the Golf Fund (File 02-0197) is to capture Golf revenues to fund the costs of operating and maintaining City Golf courses. Currently, the FY 2001-2002 RPD budget includes Golf program revenues of $4,509,000 for all five City golf courses. Golf expenditures in the FY 2001-2002 RPD budget are $3,305,276, or $1,203,724 less than the $4,509,000 in budgeted Golf program revenues for all City courses.

Therefore, the net budgeted Golf revenue of $1,203,724 is used to fund other items in the RPD FY 2001-2002 budget. If the proposed Golf Fund ordinance is approved, all revenues will be dedicated to the Golf course operation and maintenance, plus management and administration. According to Ms. Mary King-Gorky of RPD, Golf program expenditures included in the current RPD FY 2001-2002 budget do not include departmental and City overhead and general administration costs that are not currently charged to the Golf Program in the RPD's existing budget. Inclusion of such costs in the proposed Golf Fund would result in little or no effect on the City's General Fund contribution to the RPD's total budget according to Ms. King-Gorky. Mr. Ben Rosenfield, Mayor's Director of Finance states that he agrees with this understanding and does not anticipate an impact on the City's General Fund expenditures if the proposed Golf Fund is approved.

5. As stated in our report on File 02-0286, the closure of Harding Park for the proposed renovation project would result in a net loss of revenue of approximately $959,700 during the 12 months Harding Park would be closed. However, Ms. King-Gorky states that the actual golf revenues from the operation of Harding Park during FY 2001-2002 will exceed budgeted revenues by approximately $370,000 because it was assumed that Harding Park would be closed sooner for the renovation project. This would offset the $959,700 revenue loss, reducing it to $589,700.

Ms. King-Gorky states that the proposed Golf program budget for FY 2002-2003 for all of the City's five golf courses submitted to the Mayor includes reduced revenues due to the closure of Harding Park in the total amount of $3,471,000 based on the approval of the proposed Harding Park renovation project and related legislation, including this proposed ordinance (File 02-0198) and proposed expenditures of $3,281,080. Therefore proposed FY 2002-2003 Golf program revenues exceed proposed expenditures by $189,920 even with the loss of Harding Park Revenue.

6. Because the proposed Golf fee ordinance (File 02-0198) provides that specific greens fees will be approved

by the Recreation and Park Commission and will not be subject to approval by the Board of Supervisors, the Budget Analyst considers approval of this proposed ordinance to be a policy matter for the Board of Supervisors. In addition, since the creation of the Golf Fund (File 02-0197) is related to the Harding Park renovation project, the Budget Analyst considers approval of that ordinance to be a policy matter for the Board of Supervisors.

7. The proposed Greens Fees ordinance (File 02-0198) establishes "Target Revenue" of $4,278,000 in annual subject to CPI adjustments in future years for Years 1 to 5 following the Harding Park renovation project. The proposed ordinance does not specify a Target Revenue beyond Year 5. According to Mr. Cohen, it was the intent of the ordinance to continue to adjust Target Revenue in accordance with the annual percentage change in the CPI after Year 5. The proposed ordinance should therefore be amended to reflect this intent.

Recommendation:

1. Amend the proposed ordinance (File 02-0198) to state that Target Revenue will continue to be adjusted by the annual percentage change in the CPI after Year 5.

2. Approval of the proposed Golf Fee ordinance (File 02-0198 as amended) and proposed Golf Fund ordinance (File 02-0197) are policy matters for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Harding Park -- Alternative 1

	Weekday	Weekend/Holiday
Resident	$25	$35
Resident Senior/Junior	$15	$20
Bay Area Resident	$45	$65
Bay Area Resident Senior/Junior	$35	$55
Non-resident	$80	$100
Advance Reservation Non-resident	$100	$125

Harding Park -- Alternative 2

	Weekday	Weekend/Holiday
Resident	$20	$25
Resident Senior/Junior	$14	$20
Bay Area Resident	$45	$100
Bay Area Resident Senior/Junior	$35	$100
Non-resident	$80	$100
Advance Reservation Non-resident	$125	$130

Source: Recreation and Park Department

Harding Park -- Alternative 3

	Weekday	Weekend/Holiday
Resident	$25	$40
Resident Senior/Junior	$15	$40
Bay Area Resident	$45	$65
Bay Area Resident Senior/Junior	$35	$65
Non-resident	$65	$95
Advance Reservation Non-resident	$90	$115

Harding Park -- Alternative 4

	Weekday	Weekend/Holiday
Resident	$25	$40
Resident Senior/Junior	$15	$40
Bay Area Resident	$45	$65
Bay Area Resident Senior/Junior	$35	$65
Non-resident	$80	$100
Advance Reservation Non-resident	$100	$125

Source: Recreation and Park Department

Harding Park -- Alternative 5

	Weekday	Weekend/Holiday
Resident	$25	$35
Resident Senior/Junior	$15	$20
Bay Area Resident	--	--
Bay Area Resident Senior/Junior	--	--
Non-resident	$75	$100
Advance Reservation Non-resident	--	--

Fleming -- Alternative 1

	Weekday	Weekend/Holiday
Resident	$16	$18
Resident Senior/Junior	$8	$12
Non-resident	$18	$22

Source: Recreation and Park Department

City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, April 03, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

President Ammiano appointed himself to serve as a member of the Finance Committee.

MEETING CONVENED

The meeting convened at 12:41 p.m.

020197 **[Golf Fund]**

Supervisors Hall, Daly

Ordinance amending Chapter 10, Article XIII of the San Francisco Administrative Code by adding Section 10.100-256 thereto, establishing a San Francisco Recreation and Parks Golf Fund.

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.

3/18/02, SUBSTITUTED. Supervisor Hall submitted a substitute ordinance bearing same title.

3/18/02, ASSIGNED to Finance Committee.

3/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Cohen, Deputy City Attorney; Elizabeth Goldstein, General Manager, Recreation and Park Department; Commissioner Lynne Newhouse Segal, Recreation and Park Commission; Gary Hoy, Capital Program Manager, Recreation and Park Department; Dan McKenna, Acting Superintendent, Recreation and Park Department; Jaci Fong, Director of Property Management, Recreation and Park Department; Leon Gilmore, Western Regional Director, The First Tee, Commissioner Jesse Arreguin, Youth Commission; Gene Krekorian, Economics Research Associates (ERA); Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Mike Ippocito; Mr. A. D. Ward, Director, Allen Junior Golf Program; Duane Perry; Dan DeVries, President, Lincoln Park Golf Club; Bo Links; Phil Havlicek; Reola Freeman; Jene Lamison; Xavier Schmidt; Lou Perrone, President, Harding Park Golf Club; Connell Craig; Linda Hunter, Neighborhood Parks Council; Josh Kauffman; Sandy Tatum; Bud Wilson, Greater West Portal Neighborhood Association.
Continued to 4/3/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Hall; Supervisor Hall; Elizabeth Goldstein, General Manager, Recreation and Park Department.
Amendment of the Whole adopted. Amended on page 3, line 19, by replacing "such" with "any."

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

012281 **[Airport Concession Lease]**

Resolution approving a lease and operating agreement for operating the Self Service Luggage Cart Program, Between Smarte Carte, Inc., and the City and County of San Francisco, Acting by and through its Airport Commission. (Airport Commission)

(Fiscal impact.)

12/19/01, RECEIVED AND ASSIGNED to Finance Committee.

1/9/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, San Francisco Airport; Lou Cesario, Director of Operations and Development, Smarte Carte, Inc.; John Kennedy, Deputy City Attorney; Daniel Lynch, Business Representative, Teamsters Local 665.
Continued to 1/23/02.

1/23/02, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Robert McCarthy, McCarthy and Schwartz; Peter Nardoza, Airport; Edward Harrington, Controller; Theodore Lakey, Deputy City Attorney; Lou Cesario, Smarte Carte, Inc.
Amended as follows:
On lines 5 and 20, after "Francisco," by adding "as amended;"
On lines 17 and 21 by replacing "$10,636,000" with "$10,121,000;"
On line 21, after "Airport," by adding "each subject to Board of Supervisors approval;"
On line 22, at the end of the resolution, by adding "The Airport shall report back to the Board, the Board's Budget Analyst and the Controller on an annual basis regarding usage of the Smarte Cartes under this contract."
To Board for consideration on 4/22/02.

AMENDED.

Resolution approving a lease and operating agreement for operating the Self Service Luggage Cart Program, Between Smarte Carte, Inc., and the City and County of San Francisco, as amended, acting by and through its Airport Commission. (Airport Commission)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020251 **[Reserved Funds, Department of the Environment]**

Hearing to request release of reserved funds, Department of the Environment (Fiscal Year 2001-2002 Budget), in the amount of $104,300 to provide professional services in support of Department programs. (Environment)

2/28/02, RECEIVED AND ASSIGNED to Finance Committee.

3/20/02, CONTINUED. Speakers: None.
Continued to 4/3/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mark Weston, Department of the Environment.
Release of reserved funds in the amount of $104,300 approved.

APPROVED AND FILED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020393 **[Reserved Funds, S.F. Environment]**

Hearing to consider release of reserved funds, S.F. Environment (State grant funds, File No. 011431: Resolution No. 647-01), in the amount of $97,500 to fund the monitoring and verification portion of the power savers small business energy efficiency retrofit program. (Environment)

3/13/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mark Weston, Department of the Environment. Release of reserved funds in the amount of $97,500 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020404 **[MOU Amendment No. 1 - 2001-2003 Collective Bargaining between MEA and CCSF]**

Mayor

Ordinance adopting and implementing Amendment No. 1 to the 2001-2003 Collective Bargaining Agreement between the Municipal Executives' Association and the City and County of San Francisco by amending Article III.DD to incorporate the parties' agreement regarding the Management Compensation and Classification Plan. (Mayor)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peg Stevenson, Controller's Office; Andrea Gourdine, Director, Department of Human Resources; Theodore Lakey, Deputy City Attorney; Geoffrey Rothman, Director, Employee Relations Director, Human Resources Department;

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020405 **[MOU Amendment No. 1 - 2001-2003 Collective Bargaining between IFPTE, Local 21 and CCSF]**

Mayor

Ordinance approving a settlement and adopting and implementing Amendment No. 1 to the 2001-2003 Collective Bargaining Agreement between the International Federation of Professional and Technical Engineers, Local 21 and the City and County of San Francisco by amending Article III.B.1.p to incorporate the parties' settlement of an interest arbitration proceeding over wage adjustments for professional architect and landscape architect classifications. (Mayor)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020448 **[California Debt Limit Allocation Committee]**

Mayor

Resolution authorizing an application to the California Debt Limit Allocation Committee to permit the issuance of Mortgage Credit Certificates. (Mayor)

3/18/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Meg Davis, Director of Single Family Programs, Mayor's Office of Housing; Theodore Lakey, Deputy City Attorney.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020333 **[Outreach Advertising]**

Resolution approving additional funds for outreach advertising in fiscal year 2001-2002. (Purchaser)

3/6/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee.

Amended on lines 17 and 21, by replacing "$20,682" with "$27,354."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

SPECIAL ORDER - 2:00 PM

020172 **[Implementation of Equal Access to Services Ordinance]**

Supervisor Leno

Hearing to receive an update from Tier 1 City Departments on their implementation of the Equal Access to Services Ordinance.

1/28/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the February 13, 2002 meeting.

Heard in Committee. Speakers: Supervisor Leno; Harvey Rose, Budget Analyst; Commissioner Emily Fumakuma, Immigrant Rights Commission; Dang Pham, Executive Director, Immigrant Rights Commission; Reg Smith, District Attorney's Office; Captain Tim Hettrick, Police Department; Sarah He, Legislative Assistant to Supervisor Maxwell; Lee Samson, Adult Probation Department; Joanne Hollins, Aging and Adult Services; Amy Sinclair, Consumer Assurance; Magolly Fernandez, Civil Rights Officer, Department of Human Services; Julie Saucer, Department of Parking and Traffic; Tammy Haygood, Director of Elections; Norm Nickens, Executive Director, Office of Equal Employment Opportunity, Affirmative Action, and Cultural Competency; Department of Public Health; Laura Spanjian, Municipal Railway; Female Speaker, Emergency Communications; Kai Ali, Assistant Deputy Chief, Fire Department; Male Speaker, Juvenile Probation; Jimmy Austin, Public Defender; Joe Grubb, Executive Director, Rent Board; Jacqueline Pun, Sheriff's Office; Theodore Lakey, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 4:57 p.m.

CITY AND COUNTY OF SAN F

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

March 28, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: April 3, 2002 Finance Committee Meeting

Item 1 – File 02-0197

Note: This item was continued by the Finance Committee at its meeting of March 27, 2002 in order to permit further discussion of concerns raised by the Controller over the language of the proposed ordinance. The Controller, General Manager of Recreation and Park Department, Mayor/s Budget Director and Budget Analyst will be meeting on this matter and any recommended changes to the proposed ordinance will be presented to the Finance Committee directly on April 3, 2002.

Department: Recreation and Park Department (RPD)

Items: Ordinance amending Chapter 10, Article XIII of the Administrative Code by adding Section 10.100-256 thereto, establishing the San Francisco Recreation and Park Golf Fund.

Description: The proposed ordinance would amend the Administrative Code by adding Section 10.100-256 to establish the San Francisco Recreation and Park Golf Fund. The San Francisco Recreation and Park Golf Fund would be established as a Category Four Fund[1] to receive, effective July 1, 2002, all revenues derived from any City Golf

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[1] Under Administrative Code Section 10.100-1, a Category Four Fund: a) must receive appropriation approval by the Mayor and the Board of Supervisors; b) interest earnings shall accumulate to the Fund, and c) unexpended balances will be carried forward within the Fund.

Courses under the jurisdiction of the Recreation and Park Department.

Under the proposed ordinance, all revenues derived from City Golf Courses, including Greens Fees and concession revenues, would be restricted to the following uses:

1. Operation and maintenance of the Golf Courses pursuant to budgets for each Golf Course annually approved by the Recreation and Park Commission and the Board of Supervisors, including general and administrative costs, and utilities, provided that the Department would not cause the maintenance standards for the Harding Park Golf Course to exceed the Maintenance Standards for Harding Park set forth in the City's Master Tournament Agreement with the PGA (see Item 8, File 02-0201);

2. An annual set aside within the Golf Fund of $250,000, increasing by the percentage change in the Consumer Price Index each year, beginning within twelve (12) months after Harding Park reopens after renovation (the "Project") and occurring every fiscal year thereafter, to be used exclusively for capital improvements and facilities maintenance projects at Harding Park;

3. Payments to the Park, Recreation and Open Space Fund (Open Space Fund), as described in City Charter Section 16.107, on a schedule and in amounts sufficient to pay the capital portion of the Open Space Fund the full cost of the Harding Park renovation Project paid from the proceeds of applicable State grant programs and excluding any charitable donations, beginning upon the conclusion of the Project, plus to pay the Open Space Fund generally interest on such principal amount at an annual rate determined once a year by the Commission, provided that such interest rate would at least equal to the greater of (a) the City's cost of borrowing funds under the Open Space Fund if and to the extent it has at the time the Commission makes such determination outstanding bonded indebtedness under the fund or (b) one percent less than the Prime domestic commercial lending rate in effect at such time of Bank of America

or such other major financial institution selected by City, compounded annually, within twenty-five (25) years. Further, in any year that the actual annual Net Cash Flow received by the Department from the operation of the Harding Park and Fleming Golf Courses exceeds the projected Net Cash Flow for that year ("Bonus Profit") 25 percent of that amount would be applied to accelerate reimbursement to the Open Space Fund for the costs funded by the State grants and matching funds from the Open Space Fund of the Harding Park renovation project. and provided further that in any year in which the Bonus Profit exceeds One Million Dollars ($1,000,000), fifty percent (50%) of such Bonus Profit would be applied to accelerate repayment of the Open Space Fund for the costs funded by the State grants and matching funds from the Open Space Fund;

4. Improvements, renovations and capital expenditures at any of the Golf Courses upon approval of any such expenditures by the Recreation and Park Commission;

5. Payment of annual debt service of principal and interest thereupon for any debt-funded improvements and renovations at any of the Golf Courses upon necessary approvals by the Recreation and Park Commission and the Board of Supervisors

6. Capital improvements to the park and recreation areas contiguous to Harding Park and under the Department's jurisdiction, pursuant to plans approved by the Recreation and Park Commission. Upon future renovations of Golf Courses other than Harding Park, additional annual set asides for capital improvements would be established for recreation areas or parks under the Department's jurisdiction contiguous to each such improved Golf Course.

7. Administration of Fund. All expenditures from the San Francisco Recreation and Park Golf Fund are subject to approval of the Recreation and Park Commission and appropriation approval by the Board of Supervisors.

Comments:

1. According to Mr. Michael Cohen of the City Attorney's Office, the purpose of establishing the Golf Fund is to capture Golf revenues to fund the costs of operating and maintaining City Golf courses. Currently, the FY 2001-2002 RPD budget includes Golf program revenues of $4,509,000 for all five City golf courses. Golf expenditures in the FY 2001-2002 RPD budget are $3,305,276, or $1,203,724 less than the $4,509,000 in budgeted Golf program revenues for all City courses. Therefore, the net budgeted Golf revenue of $1,203,724 is used to fund other items in the RPD FY 2001-2002 budget. If the proposed Golf Fund ordinance is approved, all revenues will be dedicated to the Golf course operation and maintenance, plus management and administration. According to Ms. Mary King-Gorky of RPD, Golf program expenditures included in the current RPD FY 2001-2002 budget do not include departmental and City overhead and general administration costs that are not currently charged to the Golf Program in the RPD's existing budget. Inclusion of such costs in the proposed Golf Fund would result in little or no effect on the City's General Fund contribution to the RPD's total budget according to Ms. King-Gorky. Mr. Ben Rosenfield, Mayor's Director of Finance states that he agrees with this understanding and does not anticipate an impact on the City's General Fund expenditures if the proposed Golf Fund is approved.

2. Ms. King-Gorky states that the proposed Golf program budget for FY 2002-2003 for all of the City's five golf courses submitted to the Mayor includes reduced revenues due to the closure of Harding Park in the total amount of $3,471,000 based on the approval of the proposed Harding Park renovation project and related legislation, and proposed expenditures of $3,281,080. Therefore proposed FY 2002-2003 Golf program revenues exceed proposed expenditures by $189,920 even with the loss of Harding Park Revenue due to the renovation project.

3. The proposed Golf Fund is a category four fund and therefore the expenditures from the fund are subject to appropriation approval by the Mayor and the Board of Supervisors. However, page 4, lines 7 and 8 of the proposed ordinance state that "*All expenditures from the San Francisco Recreation and Parks Golf Fund are subject to approval of the Recreation and Park Commission*".

In order to clarify that proposed expenditures from the Golf Fund are to be subject to appropriation approval by the Mayor and the Board of Supervisors, the Budget Analyst recommends that the proposed ordinance be amended by inserting language stating that proposed expenditures shall be subject to the Budget and Fiscal provisions of the Charter.

Recommendation:

1. Amend the proposed ordinance by changing the following language in the text on page 4, line 8 "*All expenditures from the San Francisco Recreation and Parks Golf Fund are subject to approval of the Recreation and Park Commission*" to read ""*All expenditures from the San Francisco Recreation and Parks Golf Fund are subject to approval of the Recreation and Park Commission <u>and shall be subject to the budget and fiscal provisions of the Charter."</u>*

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Item 2 - File 01-2281

Note: This proposed resolution was continued by the Finance Committee at the Finance Committee Meeting of January 23, 2002.

Summary: This proposed resolution would approve a Lease and Operating Agreement between Smarte Carte, Inc. and the City and County of San Francisco, acting by and through the Airport Commission, for the operation of both the free and the for-pay Self-Service Luggage Cart Program at the San Francisco International Airport.

Since this resolution was last heard by the Finance Committee, based on inquiries of the Committee, the Airport has negotiated an addendum that changes the fee structure and cost to the Airport of the Lease and Operating Agreement between Smarte Carte, Inc. and the Airport.

The changes to the proposed agreement are shown in Attachment I to this report. Attachment I includes a chart which compares the existing agreement with the previously proposed agreement as originally submitted to the Board of Supervisors (old proposal) and the currently proposed agreement (new proposal) as amended by the negotiated addendum. A copy of the addendum to the proposed agreement is also included in Attachment I. The changes to the proposed agreement are as follows:

1. The originally proposed agreement provided that the total cost of the free luggage cart services to the Airport would be the gross total "not to exceed" amount of $12,886,000 for operating the free cart services in the "Customs Program", "Rental Car Facility Program" and the "AirTrain Failure Contingency Program", over the five-year term of the subject agreement or an average total "not to exceed" amount of $2,577,200 per year over the five year initial term of the agreement.

   The cost provision of the proposed agreement is now amended by the addendum to provide that the annual cost to the Airport to provide the free luggage cart services is <u>the lower of either $1.20 per free cart actually used in the Customs Program</u> or the following maximum amounts annually:

Year 1	$2,223,000
Year 2	2,336,000
Year 3	2,466,000
Year 4	2,602,000
Year 5	2,744,000
Total Maximum Cost	$12,371,000

Under the old proposed agreement, the Customs Program cost to the Airport was a fixed amount equal to the amounts shown in the table above instead of the lesser of the fixed amounts shown above or $1.20 per actual luggage cart used in the Customs Program.

As reported previously, the existing agreement with Smarte Carte provides for payment by the Airport for free luggage carts actually used in the Customs Program at a rate of $0.70 per cart used, with no maximum annual payment amount. The Airport states that for the 12-month period of November 1, 2000 through October 31, 2001 the Airport's total expense under the existing agreement was $981,252 based on approximately 1,401,788 luggage carts used at the rate of $0.70 per cart used. At the proposed rate of $1.20 per cart used, the total cost to the Airport would be $1,682,146 annually for the same level of cart utilization or $540,854 less than the $2,223,000 maximum amount for Year 1 of the previously proposed agreement and the current proposed agreement as amended by the addendum.

2. The addendum to the proposed agreement now provides that free luggage carts used in the Rental Car Facility Program will be provided by Smarte Carte at no additional cost. Previously, the proposed agreement called for the Rental Car Facility Program to be provided at a cost to the Airport of $480,000 annually until such time as the AirTrain transit system is operational. AirTrain is expected to be operational on August 10, 2002.

3. The addendum to the proposed agreement now provides that the cost of the AirTrain Failure Contingency Program would be provided at no additional cost to the Airport. The previously proposed agreement called for free luggage carts used as result of an AirTrain failure

(AirTrain Failure Contingency Program) would be provided at a fixed cost of $7,000 annually based on $500 per day for an estimated 14 days of AirTrain failure annually, or a total estimated five-year cost of $35,000.

4. Currently, the cart rental rate for the for-pay Self-Service Luggage Cart Rental Program is $2.00 per cart use. The addendum to the proposed agreement would permit Smarte Carte to increase this rental rate to a maximum of $3.00 per cart used provided that Smarte Carte shall be entitled to raise the rental rate only with the Airport Director's prior consent, "*which consent may be granted or withheld in* [the] *Director's sole discretion*" according to the addendum. Any increase in the luggage cart rental rate would not be subject to approval by the Board of Supervisors. In addition, the Budget Analyst notes that the Airport Director has recently approved the increased rental rate of $3.00 under the existing agreement, effective April 1, 2002, and intends to approve such an increased rental rate under this proposed agreement if the proposed agreement is approved by the Board of Supervisors.

5. The addendum to the proposed agreement now provides that the Minimum Annual Guarantee paid to the Airport by Smarte Carte for the for-pay self-service luggage cart rental payment would be $450,000 annually ($2,250,000 over the five year term of the Agreement) or <u>25</u> percent of Smarte Carte's gross revenue, whichever is greater., The previously proposed agreement provided that a Minimum Annual Guarantee would be paid to the Airport by Smarte Carte of $450,000 annually or <u>15</u> percent of Smarte Carte's gross revenue, whichever is greater. Based on the gross revenues realized by Smarte Carte in FY 2000-2001, the increase in percentage of gross revenue from 15 percent to 25 percent would result in increased annual rent to the Airport of an estimated $112,380 (see Comment 1) or an increase of $561,900 over the five year term of the agreement.

The remainder of this report is based on the proposed agreement as amended by the addendum described above.

Department:	Airport Commission
Item:	Resolution approving a Lease and Operating Agreement between Smarte Carte, Inc. and the City and County of San Francisco, acting by and through the Airport Commission, for the operation of the Self-Service Luggage Cart Program at the San Francisco International Airport.
Location:	San Francisco International Airport and the Airport's Rental Car Facility, located on Airport property at McDonnell Road.
Purpose of Lease and Operating Agreement:	Concession space for the purpose of (1) renting self-service luggage carts to passengers, and, (2) operating the free cart services for the "Customs Program", "Rental Car Facility Program" and the "AirTrain[1] Failure Contingency Program" (see Description below for program descriptions).
Lessor:	City and County of San Francisco by and through the Airport Commission
Lessee:	Smarte Carte, Inc.
Term of Lease and Operating Agreement:	Five years, commencing no earlier than February 1, 2002 and no later than April 1, 2002, and terminating after five years from this commencement date in 2007.
Right of Renewal:	Five, one-year extensions, beginning in 2007.
Annual Rent Payable by Smarte Carte to the Airport:	The annual rent payable to the Airport from Smarte Carte, Inc. for the for-pay Self-Service Luggage Cart Rental Program is the greater of either the Minimum Annual Guarantee of $450,000, or 25 percent of gross revenues. The Minimum Annual Guarantee will be adjusted annually on the anniversary date of the subject agreement. The adjustment is based on a formula, which compares the percentage increase in "U.S. City Average – Transportation Services" Consumer Price Index (CPI) and the total number of airline passengers on the anniversary date to the "U.S. City Average – Transportation Services" CPI and the total number of airline passengers at the commencement of the subject agreement. The Minimum Annual Guarantee can only increase.

[1] As part of the Airport's Master Plan Program, the Airport is constructing an on-Airport AirTrain system (the "AirTrain") to transport passengers throughout the Airport, to and from the Rental Car Facility and BART. The AirTrain is scheduled to be operational on August 10, 2002.

Utilities and Janitorial Services: The Lessee will pay for the costs of all utilities and janitorial services. According to Ms. Patricia Maitland of the Airport, janitorial services are not broken out as a line item in the lessor's budget because their employees perform this function as a part of their regular duties.

Amount Payable by Airport to Smarte Carte, Inc: The Airport would be responsible for payment to Smarte Carte, Inc. the gross total "not to exceed" amount of $12,371,000 for operating the free luggage cart services in the "Customs Program", "Rental Car Facility Program" and the "AirTrain Failure Contingency Program", over the five-year term of the subject agreement or an average gross amount of $2,474,200 per year (see Comment No. 6). However, Smarte Carte, Inc. must pay the Airport a minimum total rent of $2,250,000 (Minimum Annual Guarantee or $450,000 for five years, as adjusted annually.). Therefore, the net "not to exceed" amount payable to Smarte Carte is $10,121,000 ($12,371,000 less $2,250,000).

Description of Proposed Lease and Operating Agreement: The proposed Luggage Cart Lease and Operating Agreement (Agreement) comprises two major parts: (1) the operation of the Self-Service Luggage Cart Rental Program as a concession; and (2) the provision of luggage carts free of charge under the "Customs Program", the "Rental Car Facility Program", and the "AirTrain Failure Contingency Program" (the "Free Services") as described below.

SELF-SERVICE LUGGAGE CART RENTAL PROGRAM:

Under the proposed Agreement, Smarte Carte, Inc. would (a) provide a fleet of no less than 3,000 luggage carts, equipped with brakes[2] available for rent at $2.00 per cart or such amount approved by the Airport Director; (The proposed agreement now provides that the luggage cart rental rate would be subject to an increase of $1.00 to $3.00 per cart if the Airport Director approves such an increase. Such an increase would not be subject to approval by the Board of

[2] The terms of the proposed Agreement require Smarte Carte to equip the luggage carts with brakes. Existing self-service luggage carts do not have brakes, according to Ms. Maitland. Ms. Maitland advises that Smarte Carte will either equip their existing fleet of luggage carts with brakes or manufacture new carts with brakes in order to meet the terms of the subject Agreement.

Supervisors.); (b) install, maintain and repair, of such luggage carts: (c) install, maintain and repair of luggage cart vending units, which automatically dispense luggage carts to the public; and, (d) collect and relocate luggage carts as-needed. Smarte Carte, Inc. will pay the Airport concession rent equal to the greater of the Minimum Annual Guarantee amount of $450,000 or 25 percent of gross revenues (see Comment No. 1). With respect to the rental rate increase from $2.00 per cart to $3.00 per cart, the Budget Analyst notes that the Airport Director has recently approved the increased rental rate of $3.00 under the existing agreement, effective April 1, 2002, and intends to approve such an increased rental rate under this proposed agreement if the proposed agreement is approved by the Board of Supervisors.

FREE SERVICES:

(1) Customs Program. Smarte Carte, Inc. must provide no less than 2,000 luggage carts in the Customs area of the International Terminal where arriving international passengers are subject to Federal inspection services. The luggage carts will continue to be available without a rental charge in the custom area as they are currently (see Comment No. 2).

(2) Rental Car Facility Program. Smarte Carte, Inc. must provide no less than 500 luggage carts at the Rental Car Facility until AirTrain is operational and open to the public for transport to the Rental Car Facility. The luggage carts will continue to be available without a rental charge in these areas as they are currently (see Comment No. 3).

(3) AirTrain Failure Contingency Plan. Smarte Carte, Inc. must provide no less than 500 luggage carts at the Rental Car Facility upon notification from the Airport that there is or may be an AirTrain failure, and buses must be used to transport passengers from the Airport Terminal to the Rental Car Facility. Smarte Carte, Inc. must provide, luggage carts in the Rental Car Facility free of charge until the AirTrain service resumes or as otherwise directed by Airport Director.

As with the Self-Service Luggage Cart Rental Program, Smarte Carte, Inc. would also be responsible for the (a) installation, maintenance and repair of the luggage carts; (b)

installation, maintenance and repair of the vending units; and, (c) collection and relocation of luggage carts as-needed for the free carts.

Attachment II, provided by the Airport, is a list of luggage cart vending machine locations at the Airport. The total fleet of luggage carts that Smarte Carte, Inc. must supply is no less that 5,500 carts.

Comments:

1. According to Ms. Maitland, the Airport currently contracts with Smarte Carte, Inc. to provide (1) the operation of the for-pay Self-Service Luggage Cart Rental Program, wherein Smarte Carte, Inc. pays the Airport a Minimum Annual Guarantee of $225,000 or 16.7 percent of gross revenues whatever is greater; ; and (2) free luggage cart service in the Customs area of the International Terminal and in the Rental Car Facility at a cost to the Airport. Ms. Maitland advises that the self-service luggage carts are currently rented for $2.00 per cart and the rental rate was last raised from $1.50 per cart to $2 per cart on March 1, 2000. As noted previously, the Airport Director has approved an increase in the cart rental rate to $3.00 effective April 1, 2002.

In the attached memorandum from Ms. Maitland, Attachment III, Ms. Maitland states that the existing agreement with Smarte Carte, Inc. began in July of 1991 and expired in July of 2001. The Airport has continued to contract with Smarte Carte, Inc. on a month-to-month basis since that time under the same terms as the prior agreement. Attachment III has been updated by the Airport to reflect the currently proposed agreement as amended by the addendum shown in Attachment I.

Under the existing agreement for the for-pay Self-Service Luggage Cart Rental Program, Smarte Carte, Inc. must pay the greater of either the Minimum Annual Guarantee of $225,000 or 16.7 percent of gross revenues.

A comparison of revenues payable by Smarte Carte to the Airport under the existing agreement and the proposed agreement as amended by the Addendum for the rental luggage carts, using actual gross Smarte Carte revenues for FY 1999-2000 and FY 2000-2001, is as follows:

	Existing Agreement	Proposed Agreement as Amended by the Addendum
Minimum Annual Guarantee	$225,000	$450,000
Percentage of Gross Revenues	16.7%	25.0%
FY 1999-2000 Gross Revenues	$2,052,699	$2,052,699
Minimum Annual Guarantee (MAG) or Percentage Rent Payable to Airport	$342,801 (Percentage Rent)	$513,175 (Percentage Rent)
FY 2000-2001 Gross Revenues	$2,249,521	$2,249,521
Minimum Annual Guarantee (MAG) or Percentage Rent Payable to Airport	$375,670 (Percentage Rent)	$562,380 (Percentage Rent)

As can be seen in the table above, based on FY 2000-2001 revenues, the Airport would receive $562,380 annual revenue under the proposed 25 percent of gross revenue percentage rent, which exceeds the Minimum Annual Guarantee of $450,000, resulting in an increase of $112,380 ($562,380 less $450,000).

2. Ms. Maitland advises in Attachment III that the free cart Customs Program has been paid for by the Airport since 1994. According to Ms. Maitland, the Airport provides free carts to arriving international passengers for the following reasons: (1) the Airport is an international gateway; (2) international passengers arriving at the Airport possess a higher than average amount of luggage necessitating the use of a luggage cart; (3) arriving international passengers do not usually have the correct type and amount of currency to rent a cart; and, (4) U.S. Customs officials have repeatedly refused to permit a Currency exchange service inside the Customs area.

According to Ms. Maitland, under the existing agreement, Smarte Carte, Inc. is paid $0.70 per cart each time a passenger uses a free cart in the Customs area. Ms. Maitland advises that there currently is no maximum amount payable to Smarte Carte, Inc. for the free carts in the Customs area. Under the proposed Agreement, Smarte

Carte, Inc. would be paid the lower of $1.20 per free cart actually used in the Customs Program or the following maximum amounts annually:

Year 1	$2,223,000
Year 2	2,336,000
Year 3	2,466,000
Year 4	2,602,000
Year 5	2,744,000
Total maximum cost	$12,331,000

The Airport states that for the 12-month period of November 1, 2000 through October 31, 2001 the Airport's total expense under the existing agreement was $981,252 based on approximately 1,401,788 luggage carts at the rate of $0.70 per cart used. At the proposed rate of $1.20 per cart used, the total cost to the Airport would be $1,682,146 annually for the same level of cart utilization or $540,854 less than the $2,223,000 maximum amount for Year 1 of the proposed agreement.

3. Ms. Maitland reports that the Rental Car Facility Program was instituted upon the opening of the Rental Car Facility on McDonnell Road in January of 1999. Currently, passengers are bussed from the Airport terminals to the Rental Car Facility and vice versa. According to Ms. Maitland, the Airport received numerous complaints that passengers had to rent a cart twice, once at the terminals and again at the Rental Car Facility. The AirTrain will accommodate luggage carts, however, in the meantime, the Airport perceived providing luggage carts for free at the Rental Car Facility as a critical service for passengers going to and from the Rental Car Facility. The Airport currently pays a flat annual fee of $487,000, or $40,583 per month for the free luggage carts at the Rental Car Facility. Upon commencement of AirTrain, which is estimated to be August 10, 2002, this service will cease and the Airport will no longer pay for free carts at the Rental Car Facility unless the AirTrain system fails (see Comment No. 5). A comparison of the existing agreement with the proposed Agreement for the provision of free carts under the Rental Car Facility Program is as follows:

	Existing Agreement	Proposed Agreement as Amended by the Addendum
Rental Car Facility Program	$487,000 per year	No Additional Cost

4. Ms. Maitland advises that currently the Airport is paying Smarte Carte, Inc. approximately $122,354 per month[3] for the free luggage carts in the Customs Area and at the Rental Car Facility.

5. Because the AirTrain has not previously existed at the Airport, the AirTrain Failure Contingency Program is a new component of the Self-Service Luggage Cart Agreement. The proposed agreement, as amended by the addendum, provides that this service would be provided at no additional cost to the Airport.

6. As noted above, the subject Agreement is for a five year period for a gross "not to exceed" amount of $12,371,000 for the free luggage cart services in the "Customs Program", "Rental Car Facility Program" and the "AirTrain Failure Contingency Program". Ms. Maitland advises that the maximum figure of $12,371,000 includes (a) the total Customs Program maximum cost of $12,371,000; (b) the total Rental Car Facility Program at no additional charge; and, (c) the AirTrain Failure Contingency Plan over the five-year term at no additional charge. However, Smarte Carte, Inc. must pay the Airport a minimum of $2,250,000 in rent for the five-year term of the subject Agreement ($450,000 annually), subject to an annual adjustment. Therefore, the net "not to exceed" amount for the five-year Agreement payable by the Airport to Smarte Carte is $10,121,000. Ms. Maitland advises that if the subject Agreement is approved, any of the five one-year contract extensions could be authorized by the Airport Commission, without subsequent Board of Supervisors approval. Attachment I, provided by the Airport, shows the estimated maximum costs payable by the Airport to Smarte Carte and the rent payments payable

[3] Ms. Maitland advises that this monthly figure was derived by taking a 12-month average of luggage carts used in Customs, less the 16.7% of gross revenue payable as rent to the Airport or $81,771, plus the monthly Rental Car Facility fee of $40,583.

by Smarte Carte to the Airport for the subject Agreement over a ten-year period, including the five, one-year Agreement extensions.

7. According to Ms. Maitland, the Airport Commission awarded the subject Agreement to Smarte Carte, Inc. based on a three-member panel's determination via written proposal and practical demonstration, that Smarte Carte, Inc. offered the best overall program. Ms. Maitland advises that proposals were received from the following three firms (1) Smarte Carte, Inc.; (2) Airport Carts, LLC; and (3) Top Cart, LLC. However, Ms. Maitland advises that Top Cart, LLC's proposal was rejected prior to evaluation for failure to meet the Minimum Qualification Requirements[4]. As shown in Attachment IV, Smarte Carte received a total of 83.5 points versus 70.2 points for Airport Carts, LLC.

Attachment IV, provided by the Airport, is a summary of the panel members' evaluation of the written proposals and the practical demonstrations from Smarte Carte, Inc. and Airport Carts, LLC. The three panelists, all of whom are Airport employees, were the Assistant Deputy Director Duty Manager, the AirTrain Manager and the Principal Property Manager.

8. Ms. Maitland advises that the costs of the subject Agreement were included in the Airport's FY 2001-2002 budget.

9. Approval of the proposed Agreement is a policy matter for the Board of Supervisors because (a) the Airport can exercise up to five, one-year extensions without subsequent Board of Supervisors approval; (b) the annual cost of providing free luggage carts under the Customs Program increases over the five-year period of the subject Agreement and continues to increase over the five, one-year Agreement extensions options; (c) the annual cost of providing free luggage carts under the Customs Program increases over the five-year

[4] Top Cart LLC proposed as Top Cart SFO, a limited liability company that was formed on July 20, 2001. Pursuant to the RFP requirements, "Proposers will not be permitted to enter into the Agreement or perform the Services through a newly-formed entity, including a corporation or limited liability company (except that parties may joint venture provided that they satisfy the Minimum Qualification Requirements. The parties to the Agreement must be the same person or entity(ies) which proposes and satisfies the Minimum Qualification Requirements."

period of the subject Agreement and continues to increase over the five, one-year Agreement extensions options, and (d) the Airport Director would be authorized to permit an increase in the luggage cart rental rates from $2.00 to an maximum of $3.00 without further approval by the Board of Supervisors. The Budget Analyst notes that the Airport Director has recently approved the increased rental rate of $3.00 under the existing agreement, effective April 1, 2002, and intends to approve such an increased rental rate under this proposed agreement if the proposed agreement is approved by the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors. The Budget Analyst notes that based on the inquiries of the Finance Committee at its hearing of January 23, 2002 on this matter, the Airport would pay Smarte Carte $540,854 less annually based on recent levels of free cart usage in the Customs Program. Additionally, the Airport would be paid by Smarte Carte increased revenues of $112,380 annually or a total of $561,900 over the five-year term of the agreement based on Smarte Carte's gross revenues in FY 2000-2001. Further, if the proposed agreement's provision to permit an increase in the cart rental rate from $2.00 to $3.00 is approved, the Airport will realize additional revenue based on 25 percent of Smarte Carte's increased gross revenues.

SFO LUGGAGE CART LEASE

Proposal Component	Existing Agreement	Old Proposal	New Proposal
Free Carts in Customs	$.70 per cart, per use. (ie: 11/00 to 10/01 Net Actuals: $981,252)	$2,474,200 annual flat fee	The lower of $1.20 per cart used or **Service Fee Year 1:** $2,223,000 **Service Fee Year 2:** 2,336,000 **Service Fee Year 3:** $2,466,000 **Service Fee Year 4:** $2,602,000 **Service Fee Year 5:** $2,744,000 $12,371,000 for first five-year term **Service Fee Option No. 1:** $2,775,000 **Service Fee Option No. 2:** $2,800,000 **Service Fee Option No. 3:** $2,825,000 **Service Fee Option No. 4:** $2,850,000 **Service Fee Option No. 5:** $2,875,000 (Payable by Airport to Smarte Carte
Rental Car Facility Program	$487,000annually	$480,000 annually prorated on a 360-day year until such time as AirTrain is operational.	Rental Car Facility Program provided at no additional cost.
AirTrain Contingency	N/A AirTrain not operational until Fall 2002	$7,000 annually ($500 per day for an expected 14 days of use per year.)	Contingency service provided at no additional cost.
Cart Rental Rate	$2 per cart	$2 per cart	$3 per cart
Minimum Annual Guarantee	$225,000 or 16.7% of Gross Revenue (whichever is greater.)	$450,000 or 15% of Gross Revenue (whichever is greater).	$450,000 or 25% of Gross Revenue (whichever is greater).(Payable by Smarte Carte to Airport)

ADDENDUM
TO
LEASE AND OPERATING AGREEMENT FOR THE LUGGAGE CART PROGRAM AT SAN FRANCISCO INTERNATIONAL AIRPORT

This Addendum (this "**Addendum**") is attached to and made part of the Lease and Operating Agreement for the Luggage Cart Program at San Francisco International Airport (the "**Agreement**"), and is entered into by and between Smarte Carte, Inc. ("**Operator**"), and the City and County of San Francisco, acting by and through its Airport Commission ("**City**"). Capitalized terms used and not defined herein shall have the meanings given them in the Agreement.

City and Operator hereby agree as follows:

1. Modifications. Notwithstanding anything to the contrary in the Agreement, including the Summary therein, the Agreement shall be modified as follows:

1.1 Service Fee – Customs Program (Summary, Sec. 12). The Service Fee for the Customs Program per Lease Year and/or Option Year shall be the ***lesser*** of :

(a) the product of the number of free Carts actually used by the traveling public during such Lease Year and/or Option Year, and One Dollar and 20/00 ($1.20); or

(b) the current Lease Year and/or Option Year Service Fee according to the following (or the pro-rated portion thereof if the Lease Year and/or Option Year comprises less than twelve (12) months, based on a 360-day year):

Year 1 – Two Million Two Hundred and Twenty Three Thousand Dollars ($2,223,000)

Year 2 – Two Million Two Hundred and Thirty Six Thousand Dollars ($2,236,000)

Year 3 – Two Million Four Hundred and Sixty Six Thousand Dollars ($2,466,000)

Year 4 – Two Million Six Hundred and Two Thousand Dollars ($2,602,000)

Year 5 – Two Million Seven Hundred and Forty Four Thousand Dollars ($2,744,000)

Option Year 1 – Two Million Seven Hundred and Seventy Five Thousand Dollars ($2,775,000)

Option Year 2 – Two Million Eight Hundred Thousand Dollars ($2,800,000)

Option Year 3 – Two Million Eight Hundred and Twenty Five Thousand Dollars ($2,825,000)

Option Year 4 – Two Million Eight Hundred and Fifty Thousand Dollars ($2,850,000)

Option Year 5 – Two Million Eight Hundred and Seventy Five Thousand Dollars ($2,875,000)

In determining the number of free Carts actually used by the traveling public, the parties shall utilize the procedures established by the Director from time to time.

1.2 Service Fee – RAC Program and AirTrain Failure Contingency Plan (Summary, Sec. 12). The Service Fee for the RAC Program and the AirTrain Failure Contingency Plan per Lease Year and/or Option Year shall be zero ($0).

1.3 Maximum Rental Rate (Summary, Ex. B). The Maximum Rental Rate shall be Three Dollars ($3) per Cart; provided that Operator shall be entitled to raise such rental rate with the Director's prior consent, which consent may be granted or withheld in Director's sole discretion.

1.4 Base Rent (Summary, Sec. 4). The Base Rent shall be: Per Lease Year, the ***greater*** of: (1) the Minimum Annual Guarantee; or (2) 25% of Gross Revenues.

1.5 Gross Revenues Definition (Sec. 4.1(a)). Without limiting the definition of "Gross Revenues" in the Agreement, if and when City elects to reduce, modify, or eliminate the Customs Program, the RAC Program, and/or the AirTrain Failure Contingency Program, and permits Operator to impose a rental charge on Carts provided in the Customs Area and/or the Rental Car Facility, all such charge(s) shall be included in the definition of "Gross Revenues."

2. **General Provisions**.

2.1 Agreement. As used herein and in the Agreement, the term "Agreement" shall mean the Agreement as modified hereby. In the event of any inconsistency or conflict between a term and/or condition of the Agreement and a term and/or condition of this Addendum, the term and/or condition in this Addendum shall prevail.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the Effective Date.

OPERATOR: Smarte Carte, Inc., a Minnesota corporation

By: ______________________________

Name: ______________________________
(type or print)

Title: ______________________________

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,
acting by and through its Airport Commission

____
John L. Martin
Airport Director

AUTHORIZED BY AIRPORT
COMMISSION

Resolution No. ________________
Adopted:______________________
Attest:_______________________
Secretary
Airport Commission

APPROVED AS TO FORM:
DENNIS J. HERRERA,
City Attorney

By: ________________________
Deputy City Attorney

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EXHIBIT A
PREMISES

SERIAL #	CMU #	TERMINAL LOCATION
3622	C20	Bridgeway b/w North & Old Central Terminal
3613	N01	Lower level, carousel #15, American Airlines
4341	N02	Lower level, b/w carousels #11 & #14, American Airlines
4338	N03	Lower level, b/w carousels #10 & #11, American Airlines
4334	N04	Lower level, b/w carousels #5 & #6, United Airlines
3610	N04A	Lower level, b/w carousels #4 & #5, United Airlines
3548	N05	Lower level, b/w carousels #3 & #4, United Airlines by others
4311	N06	Lower level, b/w carousels #3 & #4, United Airlines
4308	N07	Lower level, b/w carousels #3 & #4, United Airlines
4304	N08	Lower level, b/w carousels #2 & #3, United Airlines
4300	N09	Lower level, b/w carousels #1 & #2, United Airlines
4301	N010	Lower level, carousel #1 behind telephones, United Airlines
4309	N10	Lower level, curbside, American Airlines
4292	N11	Lower level, curbside, door #6, United Airlines
4291	N12	Lower level, curbside, door #4, United Airlines
3618	N13	Lower level, curbside, door #2, United Airlines
4307	N21	Upper level, check-in counter, American Airlines
4310	N22	Upper level, check-in counter b/w restrooms, UA & American
4297	N23	Upper level, check-in counter United Airlines
4296	N24	Upper level, elevators, United check point
4340	N25	Upper level, elevators, United check point
4333	N30	Upper level, curbside, American Airlines
3712	N31	Upper level, curbside, door #9, United Airlines by others
4277	N32	Upper level, curbside, between door #6 & #7
4313	N33	Upper level, curbside, door #3, United Airlines
4316	N41	Boarding Area E, Gate 60, American Airlines
4298	N42	Boarding Area E, Gate 62, American Airlines
4204	N43	Boarding Area F, rotunda, near restrooms, United Airlines
4337	N44	Boarding Area F, Gate 83, United Airlines
4336	N45	Boarding Area F, Gate 89, United Airlines
4274	N70	Upper level, Center Island, in front of American Airlines
4275	N71	Upper level, Center Island, in front of United Airlines
4302	S01	Lower level, baggage claim, in front of elevators, US Air
4315	S02	Lower level, baggage claim, Air Canada
4216	S03	Lower level, baggage claim, Southwest Airlines
4332	S04	Lower level, carousel #6, Continental Airlines
4212	S05	Lower level, carousel #7, Continental Airlines
4211	S06	Lower level, carousel #9, America West Airlines
3711	S07	Lower level, carousel #13, Alaska Airlines by others
4312	S08	Lower level, carousel #16, Delta Airlines
4214	S09	Lower level, carousel #17, Delta Airlines
4314	S010	Lower level, in front of elevator, Delta Airlines
4083	S10	Lower level, curbside, US Air

4443	S11	Lower level, curbside, Continental Airlines
3616	S12	Lower level, curbside, American Trans Air
4289	S13	Lower level, curbside, Delta Airlines
4303	S31	Upper level, curbside, US Air
3713	S32	Upper level, curbside, Southwest Airlines by others
4295	S33	Upper level, curbside, b/w America Trans Air & Continental
3629	S34	Upper level, curbside, b/w TWA & America West Airlines
4293	S35	Upper level, curbside, Alaska Airlines
4213	S36	Upper level, curbside, Delta Airlines
4294	S40	Boarding Area A, Gate 7, US Air
4299	S41	Boarding Area A, entrance to Gates 8-16, US Air
4317	S42	Boarding Area B, Gate 24, TWA
4318	S43	Boarding Area B, entrance to Gates 32-36, TWA
3609	S44	Boarding Area B, near Gate 23, TWA
4290	S70	Upper level, Center Island, in front of Southwest Airlines
4273	S71	Upper level, Center Island, in front of TWA

4424	A61	Domestic Garage Section A Level 1
4075	A62	Domestic Garage Section A Level 2
4284	A63	Domestic Garage Section A Level 3
4062	B61	Domestic Garage Section B Level 1
4466	B62	Domestic Garage Section B Level 2
4276	B63	Domestic Garage Section B Level 3
5334	C61	Domestic Garage Section C Level 1
4279	C62	Domestic Garage Section C Level 2
4281	C63	Domestic Garage Section C Level 3
4280	C65	Domestic Garage Section C Level 5
4283	D61	Domestic Garage Section D Level 1
4288	D62	Domestic Garage Section D Level 2
4287	D63	Domestic Garage Section D Level 3
4286	D65	Domestic Garage Section D Level 5
4797	E61	Domestic Garage Section E Level 1
5336	E62	Domestic Garage Section E Level 2
4787	E63	Domestic Garage Section E Level 3
4285	F61	Domestic Garage Section F Level 1
4080	F62	Domestic Garage Section F Level 2
4069	F63	Domestic Garage Section F Level 3
4077	F64	Domestic Garage Section F Level 4
4278	F65	Domestic Garage Section F Level 5
5354	AA-61	A garage West end Level 1
5353	AA-62	A garage West end Level 2
5163	AA-63	A garage West end Level 3
5350	AA-64	A garage West end Level 4
5359	AA-65	A garage West end Level 5
4726	AA-66	A garage West end Level 6
5352	AA-67	A garage West end Level 7
3620	AA-68	A garage West end Level 8
5356	AB-61	A garage Middle Level 1
5358	AB-62	A garage Middle Level 2
5360	AB-63	A garage Middle Level 3
5355	AB-64	A garage Middle Level 4
5357	AB-65	A garage Middle Level 5
5351	AB-66	A garage Middle Level 6

4794	AB-67	A garage Middle Level 7
5329	AB-68	A garage Middle Level 8

4064	GB-61	G garage Level 1
3619	GB-62	G garage Level 2
4305	GB-63	G garage Level 3
4067	GB-64	G garage Level 4
3615	GB-65	G garage Level 5
3611	GB-66	G garage Level 6
5328	GB-67	G garage Level 7
4282	GB-68	G garage Level 8

4306	IT-01	Baggage Claim room A right side of the entrance
3623	IT-02	Baggage Claim room A facing the entrance
3617	IT-03	Baggage Claim room G right side of the entrance
3625	IT-04	Baggage Claim room G facing the entrance
5339	IT-10	Baggage curbside, arrival level
5335	IT-11	Baggage curbside, arrival level
5330	IT-12	Baggage curbside, arrival level
5331	IT-13	Baggage curbside, arrival level
5340	IT-14	Baggage curbside, arrival level
5338	IT-15	Baggage curbside, arrival level
5343	IT-30	Ticketing Curbside, departure level
5332	IT-31	Ticketing Curbside, departure level
5344	IT-32	Ticketing Curbside, departure level
5345	IT-33	Ticketing Curbside, departure level
5348	IT-34	Ticketing Curbside, departure level
5349	IT-35	Ticketing Curbside, departure level
5347	IT-36	Ticketing Curbside, departure level
5342	IT-37	Ticketing Curbside, departure level
5346	IT-38	Ticketing Island, departure level
5341	IT-39	Ticketing Island, departure level
5333	IT-51	Ticketing "G" side facing elevators
3549	IT-52	Ticketing "G" side outside Amlock
3710	IT-70	Courtyard A
5337	IT-71	Courtyard G

51020	C11C	Customs - connecting flight exit
99221	IT16A	Customs "A" - Immigration Counters
98221	IT17G	Customs "G" - Immigration Counters

Date: March 28, 2002

To: Ken Bruce, Budget Analysts Office

From: Patty Maitland, SFIA

Re: Award of Luggage Cart Lease and Operating Agreement to Smarte Carte, Inc.

Per your request, this provides the revised information originally contained in my memo of January 3, 2002 to Maureen Singleton regarding the San Francisco International Airport's Luggage Cart Lease and Operating Agreement.

Current Self-Service Cart Concession Contract, Major Lease Terms Summary

Premises:	Self-service luggage cart system, automatic dispensing "vending units" and carts available to the public throughout the North, South and International Terminal Building Complex, including connecting concourses, piers, and boarding areas.
Term:	Five years
Commencement:	July, 1991
Expiration:	July, 2001[1] Resolution 96-0132, adopted May 21, 1996, exercising option period.
Option:	One five-year period exercisable at the sole discretion of the Commission.
Use & Operation:	Uses Permitted: Exclusive rental of luggage carts by Operator throughout Terminal Building Complex, garage and terminal roadway sidewalks. At Commission's discretion, carts may be provided free of charge in Customs area. Operator installs, services and maintains cart in quantities and locations approved by Director. Operation: Operator to install and operate minimum 88 vending units Airport-wide, including Customs area together with minimum 2,200 carts. Operator leases vending units to Airport

[1] The Airport Commission determined that it was inadvisable to commence a new luggage cart operating system, and one that included braking carts, in the midst of the peak traveling season and authorized a month-to-month hold-over of the existing agreement in anticipation of a Commencement Date for the new Agreement no later than April 1, 2002.

in accordance with §6.01 of the Agreement.

All vending unit counters to be set to zero at installation. Carts provided in Customs to be distributed through vending units.

As required by Director, Operator to be present in Customs area during scheduled arrival time(s) of each and every International flight to assist passengers and make change.

Luggage carts and vending units to be operational 24 hours daily, seven days per week.

Rental Payment:	Fee: (a) Operator pays Airport an annual consideration consisting of a MAG of $225,000 or 15% of gross revenue. (b) Airport pays Operator $10.00/month for each vending unit. (c) Airport pays Operator $0.70 per cart for each cart used with the Free Cart in Customs program. (d) Airport pays Operator annual flat fee of $487,000 to provide free carts at the Rental Car Facility.
Maintenance & Repairs:	Operator agrees to maintain and repair any damages caused by its Operation. Operator responsible for maintaining all luggage carts and vending units in good operating condition.
Resolution:	No. 91-0021
Lease Modifications	**Modification #1**, Resolution No. 94-0054, May 1, 1994 – Redefined gross revenues for the purpose of funding the Free Cart in Customs Program. **Modification #2**, Resolution No. 96-0132, May 21, 1996 – Increased percentage of gross revenues to be paid as rent to the Airport from 15% to 16.7%. Exercised five-year option period. **Modification #3**, Resolution No. 99-0116, April 20, 1999 – Established RAC Free Cart Program at a rate of $.70 per rental car transaction. **Modification #4**, Resolution No. 00-0295, August 15, 2000 – Reduced rate paid to Smarte Carte for RAC Free Cart Program to annual flat fee of $487,000 annually.

Current Operations

Historically, the Airport has paid the Operator for the Free Cart Programs. The **Customs Program** provides free carts to arriving international passengers for the following reasons: 1.) SFO is an international gateway, 2.) international passengers arriving at SFO possess a higher than average amount of luggage necessitating the use of a luggage cart, 3.) arriving international passengers do not usually have the correct type and amount of currency to rent a cart, 4.) U.S. Customs officials have repeatedly refused to permit a currency exchange service inside the Customs area.

Under the old agreement, the Airport paid the Operator $.70 per cart used in the Customs Program, which amount was included in the "Gross Revenue" calculation of the agreement on which the Operator paid rent. Because the U.S. Customs area is a secured and closed area, the carts were brought in through a guide-way that contained a counter embedded in the floor. The wheels of the carts passed over the counter and registered the number of carts brought into the Customs area. The only way a cart would exit the secured area was by passenger use. Each month, a representative of the Operator, and a member of the Airport's accounting staff, would jointly read the counter for that accounting period's billing. This method of counting the luggage carts via the guide-way presented significant operational issues for the Airport, the Customs officials, and the Operator. The Airport determined that requiring the successful Proposer to commit to annual fees would resolve this operational issue and also place the burden of increased operational costs over the life of the Agreement on the Proposer, thus, precluding any future attempts by the Operator to renegotiate the fee amounts.

The **RAC Program** was instituted upon the opening of the Rental Car Facility on McDonnell Road. Passengers are bussed from the terminals to the RAC and vice versa. The Airport received numerous complaints that passengers had to rent a cart twice, once at the terminals and again at the RAC, when using the rental car buses. Unlike the buses, the AirTrain will accommodate luggage carts; in the meantime, the Airport perceived this as a critical service for passengers going to and from the RAC. Upon commencement of AirTrain, this service will cease.[2]

The RAC Program was initially tied to the number of car rental transactions per month. However, after an audit of the usage showed the Airport was overpaying for this service, the $.70 per rental car transaction fee was renegotiated to a flat annual fee of $487,000 and the $138,000 in overpayments under the transaction methodology was credited back to the Airport.

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[2] The Airport anticipates the Commencement of the proposed Agreement on April 1, 2002. Per the Agreement: "To the extent the RAC Program operates less than the first full Lease Year, then the Service Fee for the RAC Program for such Lease Year shall be prorated, based on a 360-day year." As the AirTrain will go on-line on August 10, 2002, the Airport will pay only 131 days of the RAC Program Fee ($174,667).

Finally, the **AirTrain Failure Contingency Program** is a contingency plan in the event the AirTrain during its regular operation fails, and the Airport must bus passengers to the RAC. The AirTrain Failure Contingency Program has not previously existed.

Historical Financial Data

The attached spreadsheets (which were included as source documents in the RFP) show the overall financial reporting for the luggage cart concession from 1996 through March 2001.

Proposed Lease and Operating Agreement

The proposed Luggage Cart Lease and Operating Agreement (Agreement) as amended comprises two major parts: (1) the operation of the luggage cart rental program as a concession, making the Carts available for rent at $3[3] per cart for the traveling public, and paying to the Airport concession rent; and (2) the provision to the Airport, for a fee, the Customs Program, the RAC Program, and the AirTrain Failure Contingency Program (the "Services") as described below. Under the proposed Agreement, Smarte Carte, Inc. would provide (a) the operation of a fleet of not less than 5,500 luggage carts, equipped with brakes[4], (b) the installation, maintenance, and repair, of the luggage carts, (c) the installation, maintenance, and repair of luggage cart vending units, which automatically dispense luggage carts to the public; (d) the operation of the Luggage Cart Program including the collection and relocation of luggage carts; and (e) the provision of the Services. Exhibit A of the Agreement is a list of current rental cart locations at the Airport Terminal Complex.

SERVICES:

(1) Customs Program. Smarte Carte, Inc. must provide no less than two thousand (2,000) luggage carts in the U.S. Customs area of the International Terminal. The luggage carts will continue to be available without a rental charge in the Customs area

(2) RAC Program. Smarte Carte, Inc. must provide no less than five hundred (500) luggage carts at the Rental Car Facility until AirTrain is operational and open to the public for transport to the Rental Car Facility. The luggage carts will continue to be available without a rental charge in these areas

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[3] Effective April 1, 2002, the Director authorized the increase of the cart rental rate from $2.00 to $3.00.

[4] The terms of the proposed Agreement require Smarte Carte to equip the luggage carts with brakes. Existing self-service luggage carts do not have brakes. Smarte Carte will either equip their existing fleet of luggage carts with breaks or manufacture new carts with brakes in order to meet the terms of the Agreement.

(3) **AirTrain Failure Contingency Plan**. Smarte Carte, Inc. must provide no less than five hundred (500) luggage carts at the Rental Car Facility upon notification from the Airport that there is or may be an AirTrain failure, and buses must be used to transport passengers from the Terminal Building Complex to the Rental Car Facility. Smarte Carte, Inc. must provide luggage carts in the Rental Car Facility free of charge until the AirTrain service resumes or as otherwise directed by Airport Director.

Request for Proposal Process and Respondents

The Airport Commission awarded the Agreement to Smarte Carte Inc., based on a three-member panel's determination via written proposal and practical demonstration that Smarte Carte offered the best overall program and is responsive and responsible. Proposals were received from the three firms listed below. However, Top Cart, LLC's proposal was rejected prior to evaluation for failure to meet the Minimum Qualification Requirements.[5]

Smarte Carte, Inc.
Airport Carts, LLC.
Top Cart, LLC

Attached is a summary of the panel members' evaluation of the written proposals and the practical demonstrations. Please note that the scores of the panel members are a matter of public record, however, the evaluating panel members are anonymous (anonymity of panel members safeguards against undue influence being brought to bear on the evaluation process).

The Request for Proposal (RFP) did not require a Proposer to submit its methodology as to how the financial component was derived, however, Smarte Carte has provided the Airport with additional information as set forth in the following section. As the RFP process is a competitive one, and the financial component is one of the areas evaluated, the Proposer bears the risk of the cost estimation. The Minimum Qualification Requirements ensure that a Proposer is sufficiently sophisticated to accurately project its future financial requirements.

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[5] Top Cart LLC proposed as Top Cart SFO, a limited liability company that was formed on July 20, 2001. Pursuant to the RFP requirements, "Proposers will not be permitted to enter into the Agreement or perform the Services through a newly-formed entity, including a corporation or limited liability company (except that parties may joint venture provided that they satisfy the Minimum Qualification Requirements. The parties to the Agreement must be the same person or entity(ies) which proposes and satisfies the Minimum Qualification Requirements."

Delta Between the Existing and Proposed Agreement Amounts

MAG and Percent of Gross Revenue Delta

The function of a MAG is to ensure a certain rent threshold to the Airport; the percentage of gross revenue allows for the Airport to participate in periods of higher rental activity. The MAG proposed by Smarte Carte is double the existing MAG. This high MAG places the risk of low revenues (i.e. low cart rentals) on the Operator.

Program Services Fee Delta

In general, Smarte Carte cites the following two items as being primary factors in determining its fee proposal:

Smarte Carte has stated that because the proposed Agreement triggers the **Minimum Compensation Ordinance** (MCO)[6], their labor costs are significantly increased over the term of the Agreement. Smarte Carte has given the Airport an unofficial estimate of approximately $1M for the first Lease Year in increased payroll costs. This estimate is based on a work force of between 100 and 120 cart associates, currently paid on average at $.75 over the federal minimum wage, working three 8-hour shifts.

Additionally, Smarte Carte is required to provide carts with a **braking mechanism** in order to satisfy the specifications of the proposed Agreement. Either retro-fitting existing equipment, or manufacturing new carts to meet this specification represents a significant capital investment by the Operator not previously required by the old Agreement.

Utilities and Janitorial Services

In accordance with §8.2 Utility Costs of the Agreement, Smarte Carte shall pay the whole cost of the utility services required to perform under the Agreement. Although the Proposers were not required to provide their operating budget in their responses, I requested that Smarte Carte provide their utility cost projections, however, Smarte Carte has not finalized its budget. Additionally, janitorial services are not broken out as a line item of their budget as their employees perform this function as a part of their regular duties. The Operator will most likely be subcontracting their janitorial services out in order to meet the M/WBE goals required in the Agreement.

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[6]MCO requires contractors with the City and County of San Francisco to minimum gross hourly compensation of $10.00 an hour beginning January 1. 2002, plus 2.5% annual increases for each of the next three years.

Luggage Cart RFP Evaluation Summary

WRITTEN PROPOSAL (80% of Total Score)

	Panelist 1 TM	Panelist 1 TM	Panelist 2 SR	Panelist 2 SR	Panelist 3 VII	Panelist 3 VII	Average	Average
	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC
Operations Plan (30 pts)	23	17	27	17	24.5	21.5	24.8	18.5
Experience & Assigned Staff (20 pts)	20	10	18	7	20	20	19.3	12.3
Equipment (20 pts)	16	11	17	7	16	12	16.3	10
Service Fee & Base Rent (30 pts)	17	24	20	30	25	30	20.7	28
Written Proposal Total	76	62	82	61	85.5	83.5	81.1	68.8

							Smarte Carte	Airport Carts LLC
80% of Score (Average Score x .8)							64.9	55

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PRESENTATION/INTERVIEW (20% of Total Score)

	Panelist 1 TM	Panelist 1 TM	Panelist 2 SR	Panelist 2 SR	Panelist 3 VII	I anelist 3 VII	Average	Average
	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC	Smarte Carte	Airport Carts LLC
Oral Presentation Plan (10 pts)	8	8	10	5	10	10	9.3	7.6
Interview Questions (Total 30 pts)	25	20	29	21	27	24	27	21.7
Operations (10 pts)	9	8	9	8	7	7	8.3	7.7
Experience (10 pts)	8	6	10	5	10	8	9.3	6.3
Fee (10 pts)	8	6	10	8	10	9	9.3	7.7
Equipment (60 pts)	55	45	60	50	55	45	56.7	46.7
Presentation/Interview Total	88	73	99	76	92	79	93	76

							Smarte Carte	Airport Carts LLC
20% of Score (Average Score x .2)							18.6	15.2

Total RFP Evaluation Score							Smarte Carte	Airport Carts LLC
							83.5	**70.2**

HRC 5% RATING BONUS APPLICABLE?

							Smarte Carte	Airport Carts LLC
5%							0	0

							Smarte Carte	Airport Carts LLC
80% of Written Proposal Average Score							64.9	55
20% of Presentation/Interview Average Score							18.6	15.2
HRC Rating Bonus (5%)							0	0
GRAND TOTAL							**83.5**	**70.2**

Item 3 - File 02-0251

Note: This item was continued by the Finance Committee meeting of March 20, 2002.

Department: Department of the Environment (DOE)

Item: Hearing to consider the release of reserved funds for the Department of the Environment in the amount of $104,300 for professional services.

Amount: $104,300

Source of Funds: Public Utilities Commission funds work-ordered to the Department of the Environment. Such funds were previously appropriated and reserved by the Board of Supervisors in the Department of the Environment's Fiscal Year 2001-2002 budget. According to Ms. Ann Kelly of the DOE, the reserved funds were workordered from the PUC to the DOE in the FY 2001-2002 budget due to the DOE's expertise in providing energy conservation services for the City.

Budget: A summary budget of the subject $104,300 for the following energy-related projects to be performed by two outside consultants, Brown, Vence, and Associates and Hellmuth, Obata, & Kassabaum, is as follows:

Project	Estimated Hours	Hourly Rate	Total
Multifamily Green Building	122	$114.50	$13,969
Solar Market Study	332	$114.50	38,014
Residential Energy Conservation Ordinance	144	$104.75	15,084
Commercial Energy Conservation Ordinance	192	$104.75	20,112
Electricity Resource Plan	48	$105.75	5,076
Energy End-Use Study	115	$104.75	12,046
Total	953		$104,301[1]

Description: The Board of Supervisors previously appropriated and placed on reserve $119,300 in the FY 2001-2002 budget of the DOE. The funds are for professional services to

[1] The total contract amounts for the six projects sum to $104,301. Ms. Kelly advises that DOE will fund the $1 difference from other sources.

conduct energy-related projects, and were reserved pending submission to the Finance Committee of a) a specific description of the energy projects, b) selection of consultants to assist the DOE with energy planning, and (c) the consultant's estimated hours and hourly rates.

In December of 2001, the Board of Supervisors released $15,000 (File 01-2028) of the $119,300 previously placed on reserve to fund the completion of the Climate Change Action Plan, resulting in the remaining balance of $104,300. The DOE is now requesting the release of the remaining $104,300 to be used for the following energy resource projects: (a) Multi-family Green Building; (b) Solar Market Study; (c) Residential Energy Conservation Ordinance; (d) Commercial Energy Conservation Ordinance; (e) Electricity Resource Plan; and (f) Energy End-Use Study. Attachment I, provided by DOE provides descriptions of these energy-related projects.

The $104,300 would be used to fund contracts with two outside consultants selected through a Request for Proposals (RFP) process: (a) Brown, Vence, and Associates and (b) Hellmuth, Obata, & Kassabaum. Attachment II, provided by DOE provides details on the RFP process. As detailed in Attachment II, the process consisted of: (a) RFPs being sent to 75 firms; (b) the DOE received 10 proposals; (c) a panel evaluated and scored the 10 proposals on predetermined criteria of firm experience, personnel experience, added value and fees; (d) a panel interviewed the firms scoring above 70 points on the 100 point scale; and (e) three firms were chosen for energy consulting projects based on the interviews. See Comment No. 2 with respect to the third firm. As shown in Attachment II, Brown, Vence, and Associates, Hellmuth, Obata, & Kassabaum and one other consultant, ICF Consulting, (see Comment No. 2) received the highest scores of the competing firms.

Comments:

1. Ms. Kelly reports that Hellmuth, Obata, & Kassabaum will be contracted to work on the following projects for a total contract amount of $51,983: (a) the Multi-family Green Building for $13,969; and (b) the Solar Market Study for $38,014. Ms. Kelly further states that Brown,

Vence & Associates will be contracted to work on the following projects with a total contract amount of $52,318: (a) the Residential Energy Conservation Ordinance for $15,084; (b) the Commercial Energy Conservation Ordinance for $20,112; (c) the Electricity Resource Plan for $5,076; and (d) the Energy End-Use Study $12,046.

2. As stated in Attachment II, DOE has also selected ICF Consulting for contract services through the same RFP process. Ms. Kelly reports that DOE will request separate approval from the Finance Committee for the release of reserved funds in the amount of $97,500 for that contract. (see File 02-393)

Recommendation: Approve the requested release of reserved funds in the amount of $104,300.

DEPARTMENT OF THE ENVIRONMENT

Consultant Tasks FY01-02
Energy Resource Projects

Multi-family Green Building. Contractor will provide direct technical assistance to non-profit developers currently designing multi-family housing subsidized through the Mayor's Office of Housing.

Solar Market Study. Contractor will develop customer profiles. Using City information sources and information from existing solar programs, the dimensions of the pool of potential customers will be estimated. Specific potential customers will be identified to the extent possible. Financial models will be developed for prioritized customer profiles.

Residential Energy Conservation Ordinance (RECO). Contractor will analyze at least six new energy efficiency measures for the RECO in terms of cost effectiveness. The measures will include: R-30 ceiling insulation, wall insulation, duct sealing, blower door testing, air sealing and caulking, minimum furnace efficiency, and minimum refrigerator efficiency.

Commercial Energy Conservation Ordinance (CECO). Contractor will review existing energy efficiency measures and recommend amendments. Contractor will analyze at least five new energy efficiency measures for cost effectiveness including: occupancy sensors, low flow water devices, efficiency modifications to existing HVAC equipment, high efficiency refrigeration equipment, and peak load management controls.

Electricity Resource Plan. Contractor will determine specific numbers to be used in the City's objectives for attaining the goals set in the Electricity Resource Plan to be presented to the Board of Supervisors. Objectives include the amount of electricity to be generated from renewable energy and cogeneration sources, number of megawatts saved through energy efficiency, decrease in power plant emissions, and cost estimates. Consultant tasks will be more firmly defined following public hearings on the Plan to be held next week.

Energy End-Use Study Contractor will segment the market and using available end use information develop profiles for each market segment. This will include a peak electricity load profile as well as a breakdown of the primary end uses per market segment for both electricity and natural gas. Market segments will be analyzed for various electric peak load reduction opportunities including: controls, load shifting, and replacement with high efficiency equipment

Source: DOE

SF Environment

WILLIE L. BROWN, JR.
Mayor

JARED BLUMENFELD
Director

March 7, 2002

TO: Mr. Harvey Rose, Budget Analyst

FROM: Ann Kelly, Senior Energy Specialist

SUBJECT: The RFP Process for Energy Technical Assistance

This memo is in response to an email request from Sarah Graham to David Assmann on 3/4/02 regarding the release of reserves for energy projects. The information below and in attachments A-D address the first item in the request: an explanation of the RFP process. Information for items (2) a complete budget, and (3) a description of projects, will be forthcoming.

An RFP for Energy and Resource Efficiency Consulting Assistance was issued by the Department of the Environment on December 10, 2001. The RFP was posted on the web site that day and a notice sent to over 75 parties over the next few days. Requests from other parties were met as they were received. A pre-proposal conference was held for bidders on December 18. Nineteen persons attended, representing 17 consulting firms. Attendance was not a prerequisite for submitting a bid. Ten proposals were received by the due date of January 18. One proposal was disqualified when a section of the proposal arrived after the deadline.

The RFP stated that the department was seeking to engage up to three firms to provide as-needed research, energy engineering, technical analysis, policy, and program design and implementation support. These tasks covered assistance that would be needed in the department to support several programs, including Green Building, Solar, Residential and Commercial Energy Codes, Small Business "Power Savers" program, and an energy profile study of San Francisco building types. While each of these programs is different and has specific goals, they share similar research and technical support requirements. The intent of this RFP was to enable the department to manage programs more cost effectively by entering into contracts with several firms who could perform tasks that overlap program areas and that would need support simultaneously. Monitoring and verification work intended for the Power Savers Program was included in this RFP. A request for release of the $97,500 set aside for that purpose will be sent to the Budget Analyst shortly.

A panel of three reviewers was set up to evaluate and score the proposals, using a predetermined set of criteria that had been spelled out in the RFP. Each of the criteria was assigned a designated number of points totaling 100 (Attachment A). The RFP indicated that the top 5 proposers receiving scores greater than 70 points would be invited to an oral interview. The results of the panel's scoring are shown in Attachment B.

One of the criteria was fees, which was assigned 20 points. All bidders were provided a fee worksheet with a list of 12 job classifications and hours representative of a task they might be asked to perform. (Attachment C). This was done to create an even playing field and to prevent gaming for lowest bid status.

Only four consulting firms scored above 70 points. They were interviewed on January 30 and 31 by the three reviewers plus one other panelist. Each finalist was asked the same set of eight questions, which they had received prior to the interview. They were also asked to respond to a ninth question of which they had no prior knowledge. Each question was assigned 10 points, for a total of 90 points. All interviews were limited to 90 minutes. The results of the interview scores are in Attachment D. Three consulting firms were chosen based on the interview scores: Brown, Vence, and Associates (BVA), Hellmuth, Obata & Kassabaum (HOK), and ICF Consulting.

ATTACHMENT A
CRITERIA

DEPARTMENT OF THE ENVIRONMENT
PROPOSAL EVALUATION SHEET--Technical Assistance Contract

FIRM NAME ______________________________
EVALUATOR ____________________ DATE __________ **SCORE:** __________

RATING CRITERIA	Maximum Points	Assigned Points
A. **Firm's Experience:** history of work involving primary or major responsibilities, on basis of: ▪ Record of comparable work ▪ Breadth and depth of practice ▪ Complexity of projects ▪ Knowledge/Experience with homes and business facilities ▪ Knowledge/Experience with alternative energy systems ▪ Capacity for innovative and cost-effective solutions as indicated by identification of goals; insights into problems; access to special resources COMMENTS:	**30**	_____
B. **Personnel's Experience:** record of key professionals & composition of assigned staff and sub-consultants on basis of: ▪ Practical technical qualifications in: -Energy Retrofit Audit-Design-Construction Management services -Energy Efficient Lighting, HVAC, Refrigeration, Motors, and Whole Building Design -Green Building Design and Materials -Alternative Energy Technologies -Analysis and Evaluation ▪ Program Design and Implementation ▪ Marketing COMMENTS:	**40**	_____

Source: DOE

C. Fees: 20 ______

Lowest fee:________________ divided by Proposer's fee:________________ x 20 = ________

COMMENTS:

D. Added Value: 10 ______

- High levels of achieved energy savings in typical past projects
- Unusually complete or comprehensive services
- Achievement of significant non-energy benefits

COMMENTS:

AFFIRMATIVE ACTION **Yes / No**

GENERAL COMMENTS:

ATTACHMENT B

SCORES & RANKING OF PROPOSALS

TECHNICAL RFP PROPOSAL SCORES

GARY OTO

	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	28	34	11.5	7	80.5
NA	26	32	12.34	4	74.34
ICF	25	30	12.29	4	71.29
Nexant	24	30	12.47	2	68.47
HOK	21	30	10.47	2	63.47
Mazetti	21	26	12.8	2	61.8
AESC	20	24	15.14	0	59.14
PECI	18	20	14.36	0	52.36
Digital	18	20	20	0	58
Stella*	10	12	0	0	22

*DISQUALIFIED

ANN KELLY

	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	27	33	11.5	7	78.5
NA	22	30	12.34	2	66.34
ICF	24	30	12.29	5	71.29
Nexant	25	30	12.47	5	72.47
HOK	22	30	10.47	8	70.47
Mazetti	22	30	12.8	3	67.8
AESC	23	30	15.14	5	73.14
PECI	20	25	14.36	2	61.36
Digital	20	25	20	2	67
Stella	0	0	0	0	0

PETER O'DONNELL

	Firm Experience	Personnel experience	Fees	Added Value	Total
BVA	25	30	11.5	5	71.5
NA	10	15	12.34	0	37.34
ICF	30	40	12.29	10	92.29
Nexant	15	20	12.47	0	47.47
HOK	30	40	10.47	10	90.47
Mazetti	30	40	12.8	10	92.8
AESC	15	15	15.14	5	50.14
PECI	10	15	14.36	0	39.36
Digital	10	15	20	0	45
Stella	10	15	0	0	25

Average Values

BVA	=	76.83
NA	=	59.34
ICF	=	78.29
Nexant	=	62.80
HOK	=	74.80
Mazetti	=	74.13
AESC	=	60.81
PECI	=	51.03
Digital	=	56.67
Stella	=	15.67

Ranking

ICF	78.29
BVA	76.83
HOK	74.80
Mazetti	74.13
Nexant	62.80
AESC	60.81
NA	59.34
Digital	56.67
PECI	51.03
Stella	15.67

Source. DOE

ATTACHMENT C

TECHNICAL ASSISTANT PROPOSAL FEE WORKSHEET

Position	Estimated Hours (as a percentage of sample project)	Rate/hr	Total
Manager	5		0
Senior Engineer	15		0
Associate Engineer	15		0
Architect	4		0
Project/Construction Manager	5		0
Auditor	10		0
Data Analyst	7		0
Marketer	7		0
Researcher/Writer	7		0
Junior Professional Staff	15		0
Administrative	5		0
Clerk	5		0
TOTAL	100		0

Source: DOE

ATTACHMENT D

Tech Proposals Interview Scores

	Q 1	Q 2	Q 3	Q 4	Q 5	Q 6	Q 7	Q 8	Q 9	TOTAL
CAL BROOMHEAD										
BVA	10	8	10	9	10	10	9	9	10	85
ICF	8	8	6	6	6	9	9	6	9	67
HOK	10	2	3	3	10	5	5	7	5	50
Mazetti	8	8	7	2	5	5	3	5	7	50
GARY OTO										
BVA	9	9	10	10	10	9	9	9	9	84
ICF	8	10	8	8	7	10	10	8	10	79
HOK	9	10	8	7	9	8	8	8	8	75
Mazetti	8	8	8	8	7	7	7	7	7	67
PETER O'DONNELL										
BVA	10	8	10	8	8	8	6	6	7	71
ICF	8	5	8	8	6	7	6	6	10	64
HOK	10	7	5	8	10	5	7	3	5	60
Mazetti	7	5	8	3	3	5	4	3	5	43
ANN KELLY										
BVA	9	8	10	8	9	8	8	8	8	76
ICF	8	8	7	7	7	8	8	7	8	68
HOK	9	9	7	7	10	8	9	8	6	73
Mazetti	6	7	6	2	6	5	6	6	5	49

AVERAGE SCORES

BVA	79
ICF	70
HOK	64.5
Mazetti	52.25

Source: DOE

Item 4 - File 02-0393

Department: Department of the Environment (DOE)

Item: Hearing to consider the release of reserved funds for the Department of the Environment in the amount of $97,500 for professional services.

Amount: $97,500

Source of Funds: Previously reserved grant funds from the California Public Utilities Commission (CPUC).

Budget: A budget for the subject $97,500 for the monitoring and verification services portion of the Power Boosters Program, to be performed by an outside consultant, ICF Consulting, is as follows:

	Estimated Hours	Hourly Rate	Total
Design monitoring systems	58.33	$90	$5,250
Set up monitoring systems	100	90	9,000
Data collection	400	90	36,000
Data analysis	275	90	24,750
Draft report	150	90	13,500
Final report	100	90	9,000
Total	1083.33		$97,500

Description: The Power Boosters Program is designed to help small business owners improve energy efficiency, thus reducing their own energy costs. Under the Power Boosters Program, energy efficiency audits of small businesses are to be conducted and then technical assistance is to be provided for improving the energy efficiency of participating businesses. The Board of Supervisors previously approved $7,800,000 for the Power Boosters Program in August of 2001 from CPUC grant funds and placed $7,258,920 of the grant funds on reserve, pending submission of budget details and selection of contractors. In February of 2002, the Finance Committee released $4,461,317 of the $7,258,920 previously placed on reserve, resulting in a remaining balance on reserve of $2,797,603 (File 01-1774). The subject release of reserved funds in

the amount of $97,500 would fund the monitoring and verification of the Power Boosters Program, which is a requirement of the CPUC grant.

Comments:

1. Attachment I, provided by the DOE provides details on the RFP process. As detailed in the Attachment, the process consisted of: (a) RFPs being sent to 75 firms; (b) the DOE received 10 proposals; (c) a panel evaluated and scored the 10 proposals on predetermined criteria of firm experience, personnel experience, added value and fees; (d) a panel interviewed the firms scoring above 70 points on the 100 point scale, which were Brown, Vence, and Associates, Hellmuth, Obata, & Kassabaum, ICF Consulting, and Mazetti; and (e) three firms were chosen for energy consulting projects based on the interviews. As stated in Attachment I, the firms submitted a fee worksheet, which was used to determine the average rates for a typical task and accounted for 20 points on the 100 point scale. According to Ms. Kelly, the four finalists included the following average hourly rate amounts in their proposals:

- Brown, Vence, and Associates – $104.20 per hour
- Hellmuth, Obata, & Kassabaum – $114.50 per hour
- ICF Consulting – $97.58 per hour and
- Mazetti – $93.65 per hour.

As shown in Attachment I, the three firms receiving the highest scores were: ICF Consulting, Brown, Vence, and Associates, and Hellmuth, Obata, & Kassabaum. ICF Consulting was selected to provide monitoring and verification services in order to verify savings and to determine cost effectiveness of the energy efficiency projects completed under the Power Boosters Program. Brown, Vence, and Associates, and Hellmuth, Obata, & Kassabaum were selected to conduct energy-related projects (see File 02-0251).

2. Attachment II, provided by the DOE, explains the objectives of the monitoring and verification contract and explains the tasks to be performed by ICF Consulting.

Recommendation:

Approve the requested release of reserved funds in the amount of $97,500.

Attachment I

SF Environment

WILLIE L. B
Mayor

JARED BLUMENFELD
Director

March 20, 2002

TO: Mr. Harvey Rose, Budget Analyst

FROM: Ann Kelly, Senior Energy Specialist

SUBJECT: The RFP Process for Monitoring and Verification Contract

An RFP for Energy and Resource Efficiency Consulting Assistance was issued by the Department of the Environment on December 10, 2001. The RFP was posted on the web site that day and a notice sent to over 75 parties over the next few days. Requests from other parties were met as they were received. A pre-proposal conference was held for bidders on December 18. Nineteen persons attended, representing 17 consulting firms. Attendance was not a prerequisite for submitting a bid. Ten proposals were received by the due date of January 18. One proposal was disqualified when a section of the proposal arrived after the deadline.

The RFP stated that the department was seeking to engage up to three firms to provide as-needed research, energy engineering, technical analysis, policy, and program design and implementation support. These tasks covered assistance that would be needed in the department to support several programs, including Green Building, Solar, Residential and Commercial Energy Codes, Small Business "Power Savers" program, and an energy profile study of San Francisco building types. While each of these programs is different and has specific goals, they share similar research and technical support requirements. The intent of this RFP was to enable the department to manage programs more cost effectively by entering into contracts with several firms who could perform tasks that overlap program areas and that would need support simultaneously. Monitoring and verification work intended for the Power Savers Program was included in this RFP. Six other energy resource projects were also included in the same RFP.

A panel of three reviewers was set up to evaluate and score the proposals, using a predetermined set of criteria that had been spelled out in the RFP. Each of the criteria was assigned a designated number of points totaling 100. The RFP indicated that the top 5 proposers receiving scores greater than 70 points would be invited to an oral interview.

One of the criteria was fees, which was assigned 20 points. All bidders were provided a fee worksheet with a list of 12 job classifications and hours representative of a task they might be asked to perform. This was done to create an even playing field and to prevent gaming for lowest bid status.

Only four consulting firms scored above 70 points: (a) Brown, Vence, and Associates, (b) Hellmuth, Obata, & Kassabaum, (c) ICF Consulting, and (d) Mazetti. These four firms were interviewed on January 30 and 31 by the three reviewers plus one other panelist. Each finalist was asked the same set of eight questions, which they had received prior to the interview. They were also asked to respond to a ninth question of which they had no prior knowledge. Each question was assigned 10 points, for a total of 90 points. All interviews were limited to 90 minutes. ICF Consulting was selected for the subject $97,500 monitoring and verification contract for the Power Savers Program.

Department of the Environment, City and County of San Francisco
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Attachment II

SF Environment

WILLIE L. B
Mayor

JARED BLUMENFELD
Director

March 21, 2002

TO: Mr. Harvey Rose, Budget Analyst

FROM: Ann Kelly, Senior Energy Specialist

SUBJECT: Project Description for Monitoring and Verification of Power Savers Program

The Department of Environment's Power Savers Program is an energy efficient lighting program funded by the California Public Utilities Commission (CPUC). The $7.8 million program involves energy audits and lighting retrofits in small businesses in San Francisco that will result in a savings of 6 megawatts of electric power.

The CPUC requires monitoring and verification (M&V) by an independent third-party evaluator who will prepare a report on the savings impact, the process, and the cost-effectiveness of the program. A contractor will be hired to conduct the following tasks to meet the M&V requirements:

Task 1. Design monitoring systems Contractor will analyze database on business sites that have participated in the program and types of lighting retrofits installed to determine: monitoring equipment to be used; number of sites necessary to obtain a scientifically credible sampling; information that must be collected to meet CPUC requirements; and method of collecting and analyzing data. Selection and/or development of software and design of forms and questionnaires will be part of the this task.

Task 2. Set up monitoring systems. Contractor will install and calibrate monitoring equipment at sites determined through data analysis.

Task 3. Data collection. Contractor will develop a data collection system that includes: energy savings obtained; surveys of participating businesses; details of the process from initial contact with the business to installation; customer satisfaction; and documentation of costs.

Task 4. Data analysis Contractor will analyze all data collected and produce an evaluation of all categories of information required by the CPUC.

Task 5. Draft report Contractor will prepare a draft report of their analysis and evaluation for review.

Task 6. Final report Contractor will revise and resubmit a final version of the report

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Item 5 - File 02-0404

Department: Department of Human Resources (DHR)

Item: Ordinance adopting and implementing Amendment No. 1 to the FY 2001-2002 through FY 2002-2003 Memorandum of Understanding (MOU) between the Municipal Executives' Association and the City and County of San Francisco by amending Article III.DD to incorporate the parties' agreement regarding the Management Compensation and Classification Plan.

Description: The Board of Supervisors approved the MOU between the Municipal Executives' Association (MEA) and the City and County of San Francisco in June 2001 (File 01-0990). The MOU provided for a multi-phase Management Compensation and Classification Plan (MCCP) that would (a) reclassify approximately 250 management classifications, covering 973 positions into 22 broad management classifications and (b) establish a new compensation scale for these 22 broad management classifications.

Under the subject MOU, the MCCP has two phases. Under Phase I, DHR reviewed all 276 Special Assistant positions (242.59 FTEs) represented by MEA to determine if these positions were classified as exempt or as subject to Civil Service procedures. Under Phase I, DHR then preliminarily allocated these 276 positions into 22 new management classifications effective July 1, 2001 (File 01-1818).

After July 1, 2001, the City and MEA met to discuss implementation of Phase II of the MCCP, which would reclassify all positions covered by MEA into 18 new management classifications. Amendment No. 1 to the MOU, which is the subject of this report, would implement Phase II of the MCCP.

Under the proposed Amendment No. 1:

- MCCP would have 18 broad management classifications rather than the 22 broad management

classifications established under Phase 1, as shown in Attachment I (see Comment 4).

- Each of the 18 broad management classifications would have three pay ranges, Range A, Range B, and Range C, which would be open pay ranges replacing discrete salary steps with a continuous pay scale.
- Phase I included only Range A with seven salary steps. Phase II would eliminate the seven salary steps in Range A in favor of an open pay range, only restricted by a minimum entry pay level and a maximum pay level, with an approximately 34 percent differential between the entry pay level to the maximum pay level. Because Range A does not contain discrete salary steps within the minimum and the maximum pay levels, current MEA employees would be placed into Range A at the exact base rate of pay that they presently earn in their current classification rather than into a salary step that most nearly matches their current rate of pay. Employees who would be entitled to step increases in their current classification would receive an equivalent pay increase (approximately 5 percent) on the applicable anniversary date for which they would have received a step increase prior to their movement into an MCCP classification. Although the proposed Range A no longer contains seven salary steps, the entry pay level for Range A equals Salary Step One for the corresponding classification in the FY 2001-2002 DHR Compensation Manual and the maximum pay level for Range A equals Salary Step Seven for the corresponding classification in the FY 2001-2002 DHR Compensation Manual.
- Additionally, Phase II would establish two new ranges, Range B and Range C. Range B and Range C are new open pay ranges that range by 7.5 percent from the entry pay level to the maximum pay level. As shown in The Attachment, the rate of pay in Ranges B and C exceeds the rate of pay in Range A, and the maximum pay rate for Range C is approximately 15.8 percent higher than the maximum pay rate for Range A. Under the proposed Amendment No. 1, newly hired employees could be appointed to Range B or Range C, rather than Range A. if DHR determines that placement into a higher range is necessary due to (a)

problems with recruitment or retention in the position, (b) an unusual or time-limited assignment, or (c) required exceptional skills or qualifications for job performance.

Approval of the proposed ordinance would approve the proposed Amendment No. 1 to the MOU between the City and MEA, (a) implementing Phase II of the MCCP, (b) establishing 18 broad management classifications rather than the 22 broad management classifications established in Phase I, and (c) including a new Range B and Range C that did not previously exist. As noted above, the maximum pay rate for Range C exceeds the maximum pay rate for Range A by 15.8 percent.

Comments:

1. According to Mr. Geoffrey Rothman of DHR, the MCCP is intended to be cost neutral. However, as noted in Comment 10, the City can incur higher costs from implementation of the MCCP if DHR (a) reclassifies existing MEA positions into higher classifications with higher rates of pay, or (b) places new employees into Range B or Range C based on recruitment problems, or special skill requirements. As shown in Attachment II, the Controller has reported that "the cost increase resulting from this amendment cannot be estimated at this time".

Under Phase II, the entry level and maximum pay rate of the 18 new broad management classifications are the same as Step One and Step Seven pay rates respectively of the corresponding management classifications under Phase I. When the 276 Special Assistant positions were preliminarily allocated into the new management classifications under Phase I on July 1, 2001, they were placed at salary steps in the new management classifications that equaled their existing salary step. Similarly, under the proposed Phase II, all current employees covered by MEA would be placed into the MCCP at the exact base rate of pay that they presently earn in their current classification.

However, the proposed Phase II also contains two new higher pay ranges, Range B and Range C, that do not

currently exist. The maximum pay level of Range C is approximately 15.8 percent greater than the maximum pay level for Range A. For example, under Phase II the maximum biweekly pay level for Class 951 Deputy Director I in Range A is $3,241 (or $84,266 annually). As shown in Attachment I, Phase II also includes Range B and Range C for Class 951 Deputy Director I, which were not included in Phase I. The maximum biweekly pay level for Range C for Class 951 Deputy Director I is $3,752 (or $97,552 annually), which is 15.8 percent greater than the maximum biweekly pay level of $3,241 for Range A. Therefore, by implementing two new salary ranges, Range B and Range C, the proposed Amendment No. 1 would increase the maximum pay level for each classification by approximately 15.8 percent. According to Mr. Rothman, new hires would only be placed into Range B and C if DHR determines that these positions (a) are difficult to recruit for, (b) would require special skills or qualifications, or (c) are unusual or time-limited. The Budget Analyst notes that such DHR determinations can be made without Board of Supervisors approval. Additionally, Mr. Rothman states that existing employees with current rates of pay equaling Range B or Range C pay rates will be placed into Range B or Range C. DHR does not currently have an estimate of how many existing employees qualify to be placed into Range B and Range C.

Mr. Rothman states that under Phase II, new employees cannot move into a higher salary range than the range in which they were originally placed. For example, if a new employee is placed into Range A upon hire, the employee cannot move into Range B or Range C. However, Mr. Rothman advises that some existing employees, who are currently at less than Step Five in their current classifications[1] and who are placed into Range A at their existing rate of pay, will move into Range B or Range C if their rate of pay at Step Five in their current classification exceeds the maximum pay level for Range A.

According to Mr. Rothman, and as discussed above, Range B and Range C are needed to (a) fill difficult to recruit positions, positions requiring special skills, or unusual or

[1] All MEA classifications outside of the MCCP have five salary steps.

time-limited positions, or (b) to place existing employees whose current rate of pay exceeds the rate of pay for Range A.

2. As noted previously, because the proposed Range A pay scale does not contain discrete salary steps, existing employees who are placed into Range A will be placed at the exact base rate of pay that they presently earn in their current classification. Employees who are entitled to step increases in their current classifications will be eligible to receive equivalent pay increases (approximately 5 percent) on the anniversary date applicable to their class pre-MCCP. According to Mr. Rothman, the proposed Amendment would limit the pay of employees to the top of the pay range (Ranges A, B, or C) in which they are placed, except for existing employees whose Step Five pay rate in their current classification exceeds the maximum pay rate of Range A (as discussed in Comment No. 1).

3. Under the proposed Amendment, all new employees will be placed into Range A, unless they qualify for placement in Ranges B or C under the criteria noted above and as solely determined by DHR. If a new employee is placed at the entry pay level for Range A in his or her classification, the employee will be eligible for a 5 percent pay increase after 6 months and after completion of each additional year, not to exceed the top of Range A. If a new employee is placed at a rate of pay that exceeds the entry level for Range A, the employee will be eligible for a 5 percent pay increase after completion of each additional year, not to exceed the top of Range A.

4. Phase II of the MCCP has 18 broad management classifications compared to 22 broad management classifications in Phase I. The 22 broad management classifications in Phase I included:

- 12 management classifications (Manager I through XII),
- five deputy director classifications (Deputy Director I through V), and
- five department head classifications (Department Head I through V).

Under Phase II, the four lowest management classifications under Phase I (Managers I through IV) will be eliminated and the remaining eight management classifications will be renumbered as Manager I through VIII. Therefore, Phase II will have 18 broad management classifications, including:

- eight manager classifications (Manager I through VIII) which are equivalent to Manager V through Manager XII classifications under Phase I,
- five deputy director classifications (Deputy Director I through V) which are the same as Deputy Director I through V classifications under Phase I, and
- five department head classifications (Department Head I through V) which are the same as Department Head I through V classifications under Phase I.

According to Mr. Rothman, DHR did not allocate any positions to Manager I through IV classifications during Phase I of the MCCP. Mr. Rothman states that all 276 Special Assistant positions, which were were preliminarily allocated to the MCCP on July 1, 2001, had pay rates that exceeded the corresponding pay rates for the Manager I through IV classifications, and therefore were moved into classifications at the Phase I Manager V level or above.[2] Mr. Rothman advises that there are no incumbents in the Phase I Manager I through IV classifications.

5. Under the proposed Amendment, participation in the MCCP is voluntary for all permanent Civil Service employees, because permanent Civil Service employees are not subject to changes in their classification status in accordance with their collective bargaining agreements, pursuant to Charter Section A8.409-3. If a permanent Civil Service employee does not opt-in to the MCCP classification, the employee will remain in his or her existing classification, but will have the option to participate in the MCCP at a later date if the employee chooses. If the existing employee vacates the position, the

[2] On September 5, 2001, DHR submitted to the Board of Supervisors a list of all 276 Special Assistant positions (or 242.59 FTEs) which were preliminarily allocated to MCCP effective July 1, 2001, including (a) the Special Assistant classification, (b) the new MCCP classifications, and (c) whether DHR designated the position as Civil Service provisional or exempt (see Comment 5).

position will be automatically classified under the MCCP. All Civil Service exempt and provisional positions[3], vacant positions and new positions covered by MEA will be classified under the MCCP.

6. According to Mr. Robert Pritchard of DHR, DHR will conduct an audit of all MEA positions for reclassification into the new MCCP classifications. Mr. Pritchard states that under the MCCP classification audit, DHR will consolidate approximately 250 separate MEA classifications into 18 broad management classifications. According to Mr. Pritchard, not all existing MEA classifications will be allocated to MCCP. Mr. Pritchard advises that MEA classifications that do not perform management functions, such as commission secretary or executive assistant, will either be classified into a new job series or will remain in their existing classification.

7. According to Mr. Pritchard, DHR will conduct the MEA classification audit over approximately 18 months. Mr. Pritchard states that DHR will commence the audit in approximately mid April 2002, if the proposed ordinance is adopted, and will complete the audit in approximately October 2003. According to Mr. Pritchard, at the completion of the classification audit, DHR will develop Civil Service exams for the new MCCP classifications. Mr. Pritchard advises that DHR has already notified City Departments of their intention to audit MEA positions within individual departments and has sent preparatory audit materials to some of the departments. DHR will begin the audit with MEA positions at the Airport.

The Board of Supervisors appropriated $400,000 in the FY 2001-2002 DHR budget to fund five positions to conduct the MCCP classification audit. Two of the five positions were hired effective July 1, 2001, and three of

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[3] Under Charter Section 10.104, certain City positions, including department heads, commission secretaries, and supervisory and policy positions in the Mayor's Office and the Office of the City Administrator, are exempt from Civil Service. Additionally, positions are provisional Civil Service if they are subject to Civil Service but no Civil Service exam exists. When DHR allocated 276 Special Assistant positions to the Phase I MCCP classifications on July 1, 2001, 81 of the 276 positions (29.3 percent) were designated Civil Service exempt and 195 of the 276 positions (70.7 percent) were provisional Civil Service (File 01-1818). Under the City's Administrative Code, DHR must establish an exam and test all provisional Civil Service appointments within three years of appointment.

the five positions were hired effective August 1, 2001. Mr. Pritchard advises that DHR has requested additional funding of approximately $400,000 in FY 2002-2003 to implement Phase II of the MCCP. The Budget Analyst will review such requested funds in the FY 2002-2003 budget.

8. Under the Administrative Provisions of the Annual Salary Ordinance, Section 1.1B, the Human Resources Director has authority to change the classification of positions without obtaining Board of Supervisors approval, provided that the rate of pay is equal to or less than the existing position. Any reclassification that results in a higher rate of pay will be subject to Board of Supervisors approval.

Due to the scope of the MEA classification audit, the Budget Analyst recommends that DHR submit a quarterly report to the Board of Supervisors detailing the current status of the classification audit, which includes: (a) a list of the departments and positions which have been audited as of the date of the report, (b) the preliminary DHR recommendations for reclassifying the positions into MCCP classifications, (c) any appeals by incumbents in the classifications regarding the proposed reclassification, (d) all recommended DHR reclassifications resulting in a higher classification and increase in pay, (e) all recommended DHR reclassifications which will be placed in Range B or Range C and the justification for placing the position in Range B or Range C, and (f) a timeline for conducting the remaining audit.

Further, the Budget Analyst recommends that DHR submit a report to the Board of Supervisors at the conclusion of the MEA audit, detailing reclassification of the MEA positions into MCCP classifications. Any positions resulting in an increase in salary would be subject to Board of Supervisors approval.

9. As noted in Attachment II, the Controller states that "Based on the provision that the pay rate for current employees will not change and it is difficult to assess the

impact of new appointments, the cost increase resulting from this amendment cannot be estimated at this time".

10. As noted previously, the proposed MCCP is intended to be cost neutral. However, the City can incur higher costs from implementation of the MCCP if DHR (a) reclassifies existing MEA positions into higher classifications with higher rates of pay, or (b) places new employees into Range B or Range C based on recruitment problems, or special skill requirements. Phase II of the MCCP includes two new higher pay ranges, Range B and Range C, than existed under Phase I, which only includes Range A. As stated in Comment 1, the top pay level for Range C is 15.8 percent higher than the top pay level for Range A. Under Phase II, DHR is only supposed to place existing employees into Range B or Range C if their current rate of pay equals the Range B or Range C pay scale, but DHR, at their own determination, can place new employees into Range B or Range C if DHR determines that that the position is difficult to recruit for, requires special skills, or is unusual or time-limited. Further, DHR can reclassify existing MEA positions into higher classifications with a higher rate of pay during the MEA classification audit, subject to Board of Supervisors approval. Because the proposed MCCP could result in higher costs to the City, the Budget Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors. As noted in Comment No. 9 above, the Controller has made no cost projections on the implementation of the MCCP.

11. Mr. Rothman advises that the proposed Amendment No. 1 to the MOU is Phase II of a multi-phase MCCP. According to Mr. Rothman, because the proposed MCCP is subject to collective bargaining, changes to the proposed MCCP could occur in the successor MOU to this existing MOU, which expires June 30, 2003, and that any such changes would be subject to Board of Supervisors approval.

Recommendations:

1. Request the Director of Human Resources to submit a quarterly report to the Board of Supervisors detailing the current status of the classification audit, which includes: (a) a list of the departments and positions which have

been audited as of the date of the report, (b) the preliminary DHR recommendations for reclassifying the positions into MCCP classifications, (c) any appeals by incumbents in the classifications regarding the proposed reclassification, (d) all recommended DHR reclassifications resulting in a higher classification and increase in pay, (e) all recommended DHR reclassifications which will be placed in Range B or Range C and the justification for placing the position in Range B or Range C, and (f) a timeline for conducting the remaining audit.

2. Request the Director of Human Resources to submit a report to the Board of Supervisors at the conclusion of the MEA audit, detailing reclassification of the MEA positions into MCCP classifications.

3. Approval of the proposed ordinance is a policy matter for the Board of Supervisors, because the proposed MCCP could result in higher costs to the City as noted in Comment 10, and because the Controller's Office is unable to make cost projections of the proposed ordinance.

EXHIBIT 1

MCCP Compensation Plan
Rates as of 1/5/02

			Range A		Range B		Range C	
Classes	Title	Grade	Lo Biweekly	Hi Biweekly	Lo Biweekly	Hi Biweekly	Lo Biweekly	Hi Biweekly
922	Manager I	0922D	2,418	3,241	3,242	3,486	3,487	3,752
951	Deputy Director I	0951D	2,418	3,241	3,242	3,486	3,487	3,752
923	Manager II	0923D	2,602	3,486	3,487	3,752	3,753	4,036
931	Manager III	0931D	2,800	3,752	3,753	4,036	4,037	4,343
952	Deputy Director II	0952D	2,800	3,752	3,753	4,036	4,037	4,343
932	Manager IV	0932D	3,012	4,036	4,037	4,343	4,344	4,672
961	Department Head I	0961D	3,012	4,036	4,037	4,343	4,344	4,672
933	Manager V	0933D	3,241	4,343	4,344	4,672	4,673	5,029
941	Manager VI	0941D	3,486	4,672	4,673	5,029	5,030	5,408
953	Deputy Director III	0953D	3,486	4,672	4,673	5,029	5,030	5,408
942	Manager VII	0942D	3,724	4,991	4,992	5,368	5,369	5,778
962	Department Head II	0962D	3,724	4,991	4,992	5,368	5,369	5,778
954	Deputy Director IV	0954D	3,966	5,315	5,316	5,723	5,724	6,153
963	Department Head III	0963D	3,966	5,315	5,316	5,723	5,724	6,153
943	Manager VIII	0943D	4,229	5,667	5,668	6,099	6,100	6,560
955	Deputy Director V	0955D	4,229	5,667	5,668	6,099	6,100	6,560
964	Department Head IV	0964D	4,551	6,099	6,100	6,560	6,561	7,061
965	Department Head V	0965D	5,667	7,594	7,595	8,174	8,175	8,791

Attachment II

CITY AND COUNTY OF SAN FRANCISCO **OFFICE OF THE CONTROLLER**

Edward Harrington
Controller

March 28, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020404
Amendment No. 1 to Memoranda of Understanding (MOU) FY 2001 – 2003 with Municipal Executives' Association, MEA

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the FY 2001 – 2003 MOU between the City and County of San Francisco and Municipal Executives' Association, MEA. Amendment No. 1 covers the period of the second year of the current MOU, July 1, 2001 through June 30, 2003, and affects 973.4 budgeted positions with an overall salary base of approximately $98.7 million.

The amendment incorporates the parties' agreement regarding the Management Compensation and Classification Plan (MCCP). The plan consists of three pay ranges, A, B and C. Range A is a 30% open range, and ranges B and C are 7 ½ % open ranges. The Department of Human Resources will place all current employees into the MCCP at the exact base rate of pay that they presently earn in their current classifications. New and vacant MEA represented positions will be classified into the MCCP. Appointments will be made to any rate in range A. However, the amendment provides the ability for the appointing authority to make appointments to range B or C if they can demonstrate to the Department of Human Resources that one or more of the following criteria exists:

- There are recruitment or retention issues associated with the position,
- The position has an unusual or extraordinary time-limited assignment, or
- The position requires exceptional or special skills or qualifications that are essential for job performance.

Based on the provision that the pay rate for current employees will not change and it is difficult to assess the impact of new appointments, the cost increase resulting from this amendment can not be estimated at this time.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

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Item 6 - File 02-0405

Department: Department of Human Resources (DHR)

Item: Ordinance approving a settlement and adopting and implementing Amendment No. 1 to the FY 2001-2002 through FY 2002-2003 Memorandum of Understanding (MOU) between the International Federation of Professional and Technical Engineers, Local 21, and the City and County of San Francisco by amending Article III.B.1.p to incorporate the parties' settlement of an interest arbitration proceeding over wage adjustments for professional architect and landscape architect classifications.

Description: Approval of the proposed ordinance would:

(a) approve a Settlement Agreement between the City and the International Federation of Professional and Technical Engineers (IFPTE) regarding wage levels for Architect and Landscape Architect classifications, and

(b) adopt Amendment No. 1 to the FY 2001-2002 through FY 2003-2004 MOU, establishing a 5.5 percent special wage adjustment for Architect and Landscape Architect classifications effective July 1, 2002.

The City and IFPTE submitted the subject MOU to arbitration pursuant to Charter Section A8.409. An arbitration award was issued on May 22, 2001, and the Board of Supervisors adopted the subject MOU in June 2001. Because the City and IFPTE had not reached agreement regarding wage levels for professional Architect and Landscape Architect classifications at the time of the arbitration award, the arbitrator retained jurisdiction over wage levels for these classifications. However, the actual Settlement Agreement regarding the special wage adjustments for Architect and Landscape Architect classifications, which is the subject of this ordinance, was reached in February 2002 through negotiations between the City and the Union. The proposed Settlement Agreement is not an arbitrated agreement and therefore, the Board of Supervisors has authority to reject this settlement.

Amendment No. 1 to the subject MOU would grant a 5.5 percent special wage adjustment to the following 11 classifications, effective July 1, 2002:

5260	Architectural Assistant I
5261	Architectural Assistant II
5265	Architectural Associate I
5266	Architectural Associate II
5268	Architect
5270	Senior Architect
5273	Principal Architect
5262	Landscape Architectural Associate I
5272	Landscape Architectural Associate II
5274	Landscape Architect
5275	Senior Landscape Architect

Further, the proposed Settlement Agreement between the City and IFPTE provides that Architect and Landscape Architect classifications would receive the same wage increases and adjustments granted to professional Engineer classifications represented by IFPTE from July 1, 2002 through June 30, 2006. Under the Settlement Agreement, this provision would sunset after June 30, 2006. Therefore, the City would be required to agree to future wage increases and wage adjustments for Architects and Landscape Architects in successor MOUs to the subject MOU, which expires June 30, 2003, if the City agrees to future wage increases and adjustments for professional engineering classifications.

Comments:

1. Under the existing MOU between the City and the IFPTE, all classifications represented by IFPTE, including the 11 subject Architect and Landscape Architect classifications, received a 10 percent wage increase over the two-year term of the MOU from July 1, 2001 through June 30, 2003. Therefore, if the Board of Supervisors approves the proposed ordinance, adopting Amendment No. 1 to the MOU, the total wage increase for Architect and Landscape Architect classifications over the two-year term of the MOU would be 15.5 percent (10 percent wage increase previously granted plus the proposed 5.5 percent special wage adjustment).

2. The subject MOU provides a 5.5 percent special wage adjustment (2.5 percent on July 1, 2001 and 3.0 percent

on July 1, 2002) to Engineer classifications but did not provide a special wage adjustment to the Architect and Landscape Architect classifications.

3. According to Mr. Geoffrey Rothman of DHR, in FY 2000-2001 DHR retained a consultant, R and G Consultants, at a cost of $80,000 to conduct a market wage study of 103 City classifications, including the Architect and Landscape Architect classifications. The results of the market wage study conducted by R and G Consultants indicated that the subject Architect and Landscape Architect classifications should not be paid any further special wage adjustments. However, Mr. Rothman states that in prior MOUs between IFPTE and the City, the wage rates of Engineer classifications and Architect and Landscape Architect classifications were aligned.

4. Although DHR retained R and G Consultants to conduct a market wage study which concluded that a special wage adjustment was not warranted for Architect and Landscape Architect classifications, under the proposed Settlement Agreement, DHR has agreed to pay a special 5.5 percent wage adjustment on July 1, 2002 to the Architect and Landscape Architect classifications represented by IFPTE to maintain wage parity between Engineer classifications and Architect and Landscape Architect classifications. Mr. Rothman advises that, pursuant to Charter Section A8-409-4, internal wage alignments among different City classifications are factors in arbitration hearings to resolve wage disputes, and that in 1996, there was an arbitration award granting parity between the engineering classifications covered by IFPTE and the subject Architect and Landscape Architect classifications.

5. Mr. Rothman states that, subsequent to referring the matter of the special wage adjustment for Architect and Landscape Architect classifications to arbitration, the City and the Union reached a negotiated settlement to pay the Architect and Landscape Architect classifications the same special wage adjustment as paid to the Engineer classifications.

6. The proposed Settlement Agreement between the City and IFPTE would require that the City pay the same wage increases and adjustments to Architect and Landscape Architect classifications as the City pays to professional Engineer classifications represented by IFPTE from July 1, 2002 through June 30, 2006. Under this proposed Settlement Agreement, the City would not have discretion to negotiate special wage adjustments for Architects and Landscape Architects independently of wage adjustments for engineering classifications in the successor MOU to this subject MOU, which expires on June 30, 2003. Therefore, even if future market wage surveys show that no market rate adjustment is warranted for Architect and Landscape Architect classifications, the City would be required to offer the same special wage adjustment to Architects and Landscape Architects as it offers to professional engineering classifications in the successor MOU.

7. The Budget Analyst recommends that the proposed ordinance be severed and that the Settlement Agreement between the City and IFPTE be considered separately from the proposed Amendment No. 1 to the existing MOU between the City and IFPTE.

8. The Budget Analyst considers approval of the proposed Amendment No. 1 to the existing MOU to be a policy matter for the Board of Supervisors because it provides a 5.5 percent special wage adjustment to the Architect and Landscape Architect classifications based on internal wage parity, although the DHR market wage rate study did not show that the special wage adjustment was justified.

9. Because the proposed Settlement Agreement limits the City's discretion in negotiating wage levels for Architect and Landscape Architect classifications in successor MOUs, the Budget Analyst recommends that the Board of Supervisors request that DHR renegotiate the terms of the Settlement Agreement, deleting the provision that professional Architect and Landscape Architect classifications receive the same future wage increases and adjustments granted to the professional Engineer classifications from July 2, 2002 through June 30, 2006.

According to Mr. Philip Ginsburg of the City Attorney's Office, the subject Settlement Agreement (File 02-0405) is part of a larger three-way agreement between the City, IFPTE, and the Municipal Executives' Association (MEA) over several issues, including implementation of the Management Compensation and Classification Plan (File 02-0404, included in this report), and litigation over unit assignments and administrative challenges initiated by IFPTE (File 02-0406). Mr. Ginsburg advises that under the Settlement Agreement reached by the parties, if the Board of Supervisors does not approve any part of the overall Settlement Agreement, IFPTE and MEA would have the right to withdraw from other components of the overall Settlement Agreement.

10. As shown in the Attachment, provided by the Controller's Office, the proposed Amendment No. 1 is estimated to cost the City $672,440 in FY 2002-2003. The Budget Analyst notes that the Settlement Agreement provision guaranteeing that Architect and Landscape Architect classifications will receive the same future wage increases and adjustments granted to the professional engineering classifications from July 2, 2002 through June 30, 2006 will result in future unknown costs.

Recommendations:

1. Sever the proposed Settlement Agreement from the proposed ordinance and request that DHR renegotiate the terms of the Settlement Agreement, deleting the provision requiring that professional Architect and Landscape Architect classifications receive the same wage increases and adjustments granted to the professional Engineer classifications in future MOUs.

2. Approval of the proposed Amendment No. 1 to the MOU between the City and IFPTE is a policy matter for the Board of Supervisors because it provides a 5.5 percent special wage adjustment to the Architect and Landscape Architect classifications even though DHR retained an outside consultant at a cost of $80,000 with the consultant finding that such a special wage adjustment was not justified.

CITY AND COUNTY OF SAN FRANCISCO — OFFICE OF THE CONTROLLER

Edward Harrington
Controller

March 26, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020405
Amendment No. 1 to Memoranda of Understanding (MOU) FY 2001 – 2003 with International Federation of Professional and Technical Engineers Local 21

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the FY 2001 – 2003 MOU between the City and County of San Francisco and International Federation of Professional and Technical Engineers, Local 21. Amendment No. 1 covers the period of the second year of the current MOU, July 1, 2001 through June 30, 2003, and affects 130 budgeted positions with an overall salary base of approximately $10.9 million.

The amendment provides a special wage adjustment resulting from the architects' settlement by amending Article III.B.1p to incorporate the parties settlement of an interest arbitration proceeding over wage adjustments for professional architect and landscape architect classifications. Based on our analysis, the amendment will result in incremental costs of approximately $672,440 in FY 2002-2003. The amendment will result in cost increases of approximately 6.2% above base salary in FY 2002-2003. Please see Attachment A for specific cost estimates.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela J. Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A

IFPTE Local 21 - Amendment No.1 to FY 2001-2003 MOU

Estimated Costs FY 2002-2003

Controller's Office

Annual Costs/(Savings)	FY 2002-2003
Wage Adjustments	
Special wage adjustments for professional architect and landscape architect classifications	583,462
Wage-Related Fringe Increases	88,978
Total Estimated Incremental Costs	$672,440
Incremental Cost % of Salary Base	6.2%

Item 7 – File 02-0448

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing an application to the California Debt Limit Allocation Committee (CDLAC) to permit the issuance of Mortgage Credit Certificates.

Amount: Not to exceed $20,000,000

Description: The Mortgage Credit Certificate (MCC) Program is designed to assist first-time home buyers in purchasing a single-family residence in San Francisco. The program is directed toward individuals and families who would not be able to purchase housing without receiving some financial assistance.

The MCC Program, which is a State-authorized program, provides assistance to first-time home buyers by allowing an eligible home purchaser to take an annual credit against Federal income taxes of a percentage of the annual mortgage interest payments on a single family residence or a duplex. The percentage rate is established by the entity administering the program locally (in this case, the MOH), but may not exceed 50 percent of the mortgage interest (see Comment 2). A home buyer who is awarded an MCC is eligible for a tax credit on a portion of the interest paid on the mortgage, and would also be able to deduct the remaining amount of the annual mortgage interest payments as an itemized deduction on the home buyer's Federal income taxes. By reducing the Federal income tax burden, the home buyer is left with increased disposable income with which to cover mortgage payments.

In September of 1993 the Board of Supervisors approved a resolution creating the City's MCC Program. The MOH has been administering the MCC Program since January of 1994, and has issued certificates and reservations[1] for a total of 923 first-time low and moderate income

[1] According to the MOH, "reservations" arise where the MOH has approved an allocation for a Mortgage Credit Certificate, but the Certificate's recipient's mortgage loan has not yet closed escrow. MOH reserves the Mortgage Credit Certificate for the intended recipient until closure of escrow and call this a "reservation."

homebuyers. According to Ms. Maggie Davis of MOH, to date, MOH has received 12 allocations from the California Debt Limit Allocation Committee (CDLAC), to issue MCCs to 923 first-time buyers for a total mortgage value of $132,500,000 (see Comment 4) and MOH has issued or reserved that total amount.

The proposed resolution would authorize the MOH to submit an application to the CDLAC, the State agency which authorizes the amount of tax-exempt private-activity bonds and mortgage credit certificates which can be issued by local government agencies, for an additional allocation of $20,000,000 in private-activity bond authority and converting that private-activity bond authority into Mortgage Credit Certificates using the Internal Revenue Service's conversion formula, resulting in $33,333,333 in Mortgage Credit Certificates. In addition, the proposed resolution, in compliance with CDLAC regulations, would authorize (a) the City to place 0.5 percent (one-half of one percent) of the requested allocation on deposit, in an amount not to exceed $100,000, in connection with the submission of the application to the CDLAC, and (b) the Director of the MOH to certify to CDLAC that such funds are available.

Comments:

1. According to Ms. Davis, the required $100,000 deposit shall consist of a restriction of cash in the City's Home Ownership Assistance Loan Fund, which is cash accumulated from loan repayments by individuals participating in the City's 1982 First Time Homebuyers Bond Program. Ms. Davis states that the above-noted deposit is required by CDLAC to ensure that the State requirements for issuing the Mortgage Credit Certificates are met by the local agency, including the requirement that a Mortgage Credit Certificate be issued to a program recipient within 90 days of receipt of the allocation of Mortgage Credit Certificates from the State.

2. Ms. Davis reports that, under the application to be submitted to the CDLAC, and in accordance with Federal Internal Revenue Service (IRS) and CDLAC regulations, the MOH will provide assistance to first-time home buyers by allowing an eligible home purchaser to take an

annual tax credit against Federal income taxes of up to 15 percent.

3. If CDLAC approves the subject proposed MOH application for $20,000,000, which as previously noted would result in the issuance of $33,333,333 in MCCs, Ms. Davis states that the City expects to assist an additional approximately 167 home purchasers based on an average mortgage amount of $200,000.

4. Ms. Davis reports that, from 1993 through 2001, the Board of Supervisors has approved resolutions authorizing the MOH to submit applications to the CDLAC, resulting in 12 actual allocations totaling $109,581,540 by the CDLAC. As noted above, to date, MOH has issued 923 MCCs to first-time buyers for a total mortgage value of $132,500,000, based on the IRS conversion formula discussed above.

5. As shown in the Attachment, provided by MOH, the City's 2001 Mortgage Credit Certificate Program assisted 43 low to moderate income households with a median household income of $52,800 and a median home purchase price of $288,000, from June 1, 2001 through March 26, 2002.

Recommendation: Approve the proposed resolution.

Attachment

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JI
MAYO

DARYL HIGASH
DIRECTO

MORTGAGE CREDIT CERTIFICATE PROGRAM
Statistical Profile For Program Year 2001
Between 6/1/2001 to 3/26/2002

Total number of household assisted:		28	MCCs issued
		15	Commitments issued
	Total:	43	

Median Household Income: $52,800 (61% of San Francisco SMSA median for household of 4 persons; 77% of median for 2 persons household)

Median Purchase Price: $288,000.00

Median Mortgage Amount: $187,000.00

Household Size breakdown:	1 person	16	(37%)
	2 persons	6	(14%)
	3 persons	8	(19%)
	4 or more persons	13	(30%)

Ethnic breakdown:	White	13 households	(30%)
	Asian/Pacific Islander	22	(51%)
	African-American	3	(7%)
	Hispanic	5	(12%)

Supervisor District #:		Total:
1	Richmond	0
2	Cow Hollow, Marina, Pacific Heights	4
3	Chinatown, Nob Hill, Russian,Telegraph Hill, Waterfront	1
4	Sunset	1
5	Duboce Park, Fillmore, Haight, Panhandle & Western Addition	1
6	SOMA, Tenderloin, Treasure Island	3
7	Park Merced, West of Twin Peaks	1
8	Castro, Glen Park, Noe Valley	7
9	Bernal Heights, Mission District	0
10	Bayview, Hunters Point, Potrero, Visitation Valley	14
11	Excelsior & OMI	11

032602kc

25 VAN NESS AVENUE, SUITE 600 • SAN FRANCISCO, CALIFORNIA 94102 • (415) 252-3177 • FAX (415) 252-3140
TDD (415) 252-3107

Item 8 - File 02-0333

Department: Department of Administrative Services, Office of Contract Administration, Purchasing Division

Item: Resolution approving the expenditure of up to $20,682 in additional funds from the Outreach Advertising Fund for outreach advertising in Fiscal Year 2001-2002, for a total estimated Fiscal Year 2001-2002 expenditure of $120,682.

Description: Proposition J, which was approved by San Francisco voters in November of 1994, provided, in part, for an Outreach Advertising Fund to be established for the purpose of the City placing "outreach advertising" or weekly notices of items pertaining to governmental operations in periodicals selected to reflect the diversity in race and sexual orientation of the population of the City. Outreach advertisements include, but are not limited to, information about issues that are being reviewed by the Board of Supervisors and that directly affect the public. Pursuant to Proposition J and in accordance with Section 2.81-2(a) of the Administrative Code, the City is required to withhold 10 percent of the annual amounts paid for the City's Type 1 and Type 2 official advertising and to deposit these monies into the Outreach Advertising Fund.

Section 2.81, Official Newspaper(s) – Designation, of the Administrative Code defines Type 1 advertising as the publication of all official advertising of the City and County which is required by law to be published on two or more consecutive days, and all official advertising which is required to be published in accordance with the provisions of Sections 2.103 or 2.108[1] of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The official newspaper must publish at least 5 days a week for Type 1 official advertising. The City currently has a contract for Fiscal Year 2001-2002 with the San Francisco Chronicle to be the City's official newspaper to provide Type 1 advertising.

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[1] Section 2.81. Official Newspaper(s) – Designation, of the Administrative Code references Charter Sections 2.200 and 2.201. Those Charter Sections have been renumbered as Sections 2.103 and 2.108, respectively.

Section 2.81, Official Newspaper(s) – Designation, of the Administrative Code defines Type 2 advertising as the publication of all official advertising of the City and County which is required by law to be published one time, other than the provisions of Sections 2.103 or 2.108 of the Charter as they relate to special meetings of the Board of Supervisors and its standing committees; and all official advertising of the City and County which is required by law to be published more than one time, but not more than three times per week for a specified number of weeks. The official newspaper must publish at least 3 days a week for Type 2 official advertising. The City currently has a contract for Fiscal Year 2001-2002 with the San Francisco Independent to be the City's official newspaper to provide Type 2 advertising.

On October 1, 2001, the Board of Supervisors approved a resolution designating El Mensajero, El Latino and El Reportero to be outreach newspapers for the City's Hispanic/Latino community; designating the China Press, the Chinese Times and the Asian Week to be outreach newspapers for the City's Chinese community; designating the San Francisco Bay View to be the outreach newspaper for the City's African American community; designating the San Francisco Spectrum, the Bay Area Reporter and the San Francisco Bay Times to be outreach newspapers for the City's Gay/Lesbian/ Bisexual/ Transgender community; designating Mo Magazine to be the outreach newspaper for the City's Southeast Asian community; designating the Russian Life to be the outreach newspaper for the City's Russian community; and designating the Hokubei Mainichi to be the outreach newspaper for the City's Japanese community, for Fiscal Year 2001-2002 (File 01-1444). In accordance with that previously approved resolution, the Purchasing Division is to obtain Board of Supervisors approval prior to spending more than $100,000 from the Outreach Advertising Fund for outreach advertising in Fiscal Year 2001-2002.

During the seven-month and ten day period from July 1, 2001 through February 10, 2002, the Purchasing Division had incurred costs totaling $71,841.58 for outreach advertising, as shown in Attachment I provided by the

Purchasing Division. As also shown in Attachment I, the Purchasing Division anticipates that it will incur an additional $48,840 for outreach advertising during the period of February 11, 2002 through June 30, 2002, for total estimated expenditures in Fiscal Year 2001-2002 of $120,681.58.

Comments:

1. As shown in Attachment II, provided by the Purchasing Division, through February 10, 2002 the Purchasing Division has actually paid to the outreach advertising newspapers $59,140.23 from the Outreach Advertising Fund. If the total requested expenditure of $120,681.58 for Fiscal Year 2001-2002 is authorized, the Department would make additional payments of $61,541.35 ($120,681.58 less $59,140.23 already paid). Mr. Mike Ward of the Purchasing Division states in Attachment II that the Outreach Advertising Fund has a balance of $90,876.49 as of February 19, 2002 and that therefore there are sufficient funds in the Outreach Advertising Fund to cover the $61,541.35 to be paid by the City in the remainder of Fiscal Year 2001-2002.

2. Approval of the proposed resolution by the Board of Supervisors would authorize the Purchasing Division to spend up to $20,681.58 over the $100,000 limit previously approved by the Board for outreach advertising, for a total Fiscal Year 2001-2002 expenditure of $120,681.58 from the Outreach Advertising Fund.

3. According to the Purchasing Division, the total estimated cost for Type 1 and Type 2 official advertising for Fiscal Year 2001-2002 is $1,394,621. Thus, the Purchasing Division could spend $139,462 or 10 percent of the $1,394,621 for outreach advertising. As previously noted, the Purchasing Division estimates it will expend $120,681.58 or $18,780.42 less than the estimated maximum authorized amount (excluding carryover funds) of $139,462 that can be expended for outreach advertising in Fiscal Year 2001-2002.

4. As of the writing of this report, the Purchasing Division has advised the Budget Analyst that the Purchasing Division intends to request that this proposed resolution be continued to determine if additional Fiscal

Year 2001-2002 funds are needed to pay for outreach advertising costs for Fiscal Year 2000-2001.

Recommendation: Continue the proposed resolution, as requested by the Purchasing Division.

ATTACHMENT A

OUTREACH ADVERTISING
EXPENDITURES (Ad Orders Placed)
July 1, 2001 through February ~~1~~, 2002
10, March

Newspaper		
El Reportero	$	14,279.18
El Latino	$	11,840.41
El Mensajero	$	5,631.64
China Press	$	1,680.00
Chinese Times	$	4,167.12
Asian Week	$	6,010.03
S.F. Bay View	$	6,454.80
Bay Area Reporter	$	2,440.40
Hokubei Mainichi	$	2,160.00
S.F. Bay Times	$	13,468.00
Spectrum	$	3,710.00
Total	$	71,841.58

Source: California Newspaper Service Bureau

ATTACHMENT II

OUTREACH ADVERTISING
BUDGET
FY 2001-2002
February 11 thru June 30, 2002

Newspaper	Cost Notice Only	Cost Translation	Total Cost Per Ad	No. Ads	Total Cost
El Reportero	$ 210.00	$ 150.00	$ 360.00	20	$ 7,200.00
El Latino	$ 234.00	$ 150.00	$ 384.00	20	$ 7,680.00
El Mensajero	$ 426.00	$ 35.00	$ 461.00	20	$ 9,220.00
China Press	$ 90.00	$ 50.00	$ 140.00	20	$ 2,800.00
Chinese Times	$ 84.00	$ 40.00	$ 124.00	20	$ 2,480.00
Asian Week	$ 166.00		$ 166.00	20	$ 3,320.00
S.F. Bay View	$ 169.00		$ 169.00	20	$ 3,380.00
Bay Area Reporter	$ 278.00		$ 278.00	20	$ 5,560.00
Hokubei Mainichi	$ 360.00		$ 360.00	20	$ 7,200.00
TOTAL					$ 48,840.00

Source: Bids for FY2001-2002

City and County of San Francisco
Willie Lewis Brown, Jr.
Mayor

Office of Contract Administration
Judith A. Blackwell
Director

Purchasing Division

March 5, 2002

TO: Gloria L. Young
Clerk of the Board
San Francisco Board of Supervisors

THROUGH: Judith A. Blackwell
Director
Office of Contract Administration

FROM: Michael D. Ward
Assistant Director of Purchasing
Office of Contract Administration

RE: Resolution Approving Additional Funds for Outreach Advertising in FY2001-2002

Attached please find an original and four copies of proposed resolution approving additional funds in the amount of $20,682 for the outreach advertising program in FY2001-2002. We respectfully request that the Board of Supervisors consider and approve this resolution

Background:

Resolution No. 745-01, adopted by the full Board on October 1, 2001, mandates that "..expenditures for the outreach advertising program for Fiscal Year 2001-2002 shall not exceed $100,000 without further Board approval..." These funds will be exhausted the week of April 22, 2002 and additional funds are needed to provide for outreach advertising expenditures for the period of April 22 through June 30, 2002.

We would like to highlight that our letter, addressed to the Budget Analyst and dated September 10, 2001, advised the Board that the outreach advertising budget for Fiscal Year 2001-2002 would be at least $142,488, for a twelve-month period.

Revised Outreach Advertising Budget

Actual and projected expenditures indicate that the total outreach advertising budget in FY2001-2002 will be $120,681.58, as follows:

10 MW

Actual Expenditures (ads placed by the Board) from July 1, 2001 to February ~~1~~, 2002 (Attachment A)	$ 71 841.58
Projected Expenditures (ads to be placed by Board from February 11 to June 30, 2002) (Attachment B)	$ 48 840.00
Total Budget in FY2001-2002	$ 120,681 58

Since the Board released only $100.00 for outreach advertising $20,682 will be needed to provide outreach advertising through the end of Fiscal Year 2001-2002.

Letter to Gloria Young
Outreach Advertising Resolution
March 5, 2002

Outreach Advertising Fund Balance and Amount to be Paid in Remainder of FY2001-2002

According to the Controller, as of February 19, 2002, the balance of the Outreach Advertising Fund is $90,876.49. The following shows the amount that will be paid by the City for outreach advertising in the remainder of FY2001-2002:

Total outreach advertising budget FY2001-2002 MD	$120,681.58
Amount paid by the City, through February 19 2002	59,140.23
To be paid by City in Remainder FY2001-2002	$ 61,543.25

The above indicates that there are sufficient funds in the Outreach Advertising Fund to cover the amount to be paid by the City in the remainder of FY2001-2002. It should be noted that Section 2.81-2 of the Administrative Code states that this fund is for the purpose of placing weekly outreach advertisements.

Timeline:

We respectfully request that this matter be calendared for the March 20, 2002 meeting of the Finance Committee, or as-soon-as the scheduling permits because the funds requested will be needed by the week of April 22, 2002.

Department Contact:

The following person may be contacted for matters relating to this resolution:
Michael D. Ward 554-6740.
Assistant Director of Purchasing

Accompanying Documents:

The following is a list of accompanying attachments:
A. Outreach Advertising Expenditures – July 1, 2001 through February 4, 2002
B. Outreach Advertising Budget – February 11, 2002 through June 30, 2002
C. Resolution

Item 9 – File 02-0172

Departments: Adult Probation, Department of Consumer Assurance, Department of Elections, Department of Human Services, Department of Parking and Traffic, Department of Public Health, Metropolitan Transportation Authority, District Attorney, Emergency Communications Department, Fire Department, Juvenile Probation Department, Police Department, Public Defender, Department of Aging and Adult Services, Rent Stabilization and Arbitration Board, Sheriffs Department, Planning Department, and the Immigrants Right's Commission

Item: Hearing to receive an update from Tier 1 City Departments on their implementation of the Equal Access to Services Ordinance.

Description: The Equal Access to Services (EAS) Ordinance, approved by the Board of Supervisors on June 4, 2001, required City Departments to provide bilingual services and materials if a substantial or concentrated portion of the public utilizing their services did not speak English effectively because it was not their primary language (File No. 01-0409). As a result of the ordinance, specific City Departments, called "Tier 1" Departments, were required to translate vital documents such as forms and applications into, at a minimum, Spanish and Chinese beginning in FY 2001-2002. The ordinance also required Tier 1 City Departments to fill public contact positions with bilingual employees if a substantial or concentrated number of the Department's clients were limited English-speaking individuals. The Budget Analyst's prior May 23, 2001 report to the Finance Committee estimated, based on documentation provided by the Tier 1 Departments, that one time costs of translating documents into Spanish and Chinese, to be done by a combination of outside consultants and in-house staff persons for the sixteen Tier 1 Departments, would total $600,000 in FY 2001-2002 as a result of the EAS ordinance. City Departments could not provide cost estimates for printing the new translated documents or estimates for hiring bilingual employees.

Under the proposed ordinance, the Immigrants Rights Commission (IRC) would receive and monitor the annual compliance plan submitted by each City Department, and

would be responsible for enforcing compliance (see Comment No. 16). The EAS ordinance also required that the Planning Department determine annually, using U.S. Census data, the number of persons having limited English-speaking capabilities that are either 1) residing in a City District, or 2) receiving services from a City Department (see Comment No. 17).

The sixteen Tier 1 Departments are: 1) Adult Probation, 2) Department of Consumer Assurance, 3) Department of Elections, 4) Department of Human Services, 5) Department of Parking and Traffic, 6) Department of Public Health, 7) Metropolitan Transportation Authority, 8) District Attorney, 9) Emergency Communications Department, 10) Fire Department, 11) Juvenile Probation Department, 12) Police Department, 13) Public Defender, 14) Department of Aging and Adult Services, 15) Rent Stabilization and Arbitration Board, and 16) the Sheriff's Department.

The Budget Analyst recently requested that all Tier 1 Departments listed above, report costs to date directly and solely attributable to compliance with the EAS ordinance. Information was requested only for costs associated with 1) translating vital documents, 2) printing translated materials, 3) paying bilingual premiums to fill vacant positions with bilingual employees, and 4) translating new and revised written materials. The Budget Analyst requested that all translation costs, printing costs, and bilingual premium pay attributable to Departmental policies prior to enactment of the EAS ordinance be excluded from the submitted cost information.

Below is a summary of FY 2001-2002 costs to date resulting from the EAS ordinance as reported by the Tier 1 Departments.

Department	Document Translation	Printing	Bilingual Pay	Total
Adult Probation	$1,682	$500	-	$2,182
Dept. of Consumer Assurance	957	542	-	1,499
Dept. of Elections	See Comment No. 1	-	-	-
Dept. of Human Services	600	350	-	950
Dept. of Parking and Traffic	See Comment No. 1	-	-	-
Dept. of Public Health	13,965[a]	6,042[a]	3,055[a]	23,062
Metropolitan Transportation Authority	See Comment No. 6	-	-	-
District Attorney	-	-	509	509
Emergency Communications Dept.	545	-	-	545
Fire Dept.	138	150	-	288
Juvenile Probation Dept.	See Comment No. 1	-	-	-
Police Dept.	1,050	132	-	1,182
Public Defender	150	1,085	-	1,235
Dept. Of Aging and Adult Services	See Comment No. 12	-	-	-
Rent Stabilization and Arbitration Board	See Comment No. 13	-	-	-
Sheriff's Dept.	713	-	-	713
Total	$19,800	$8,801	$3,564	$32,165

[a] According to Mr. James Alexander of DPH, a portion of the costs reported by DPH for translation, printing and bilingual pay may not be solely attributable to the EAS ordinance since similar practices are already mandated by State and Federal regulations. Mr. Alexander states that DPH was unable to separate EAS ordinance related translating, printing and hiring activities from similar activities resulting from other policies. Therefore, DPH's actual EAS ordinance related costs to date may be lower than presented above.

Comments:

1. The following Departments reported that they were translating, printing and hiring bilingual staff persons prior to the EAS ordinance and estimated that there would be no additional costs in future years as a result of the ordinance. Therefore these Departments did not report any costs related to the ordinance in FY 2001-2002, or into the future. These Departments reported that they were already in compliance with the ordinance before it was adopted: 1) Department of Elections, 2) Department of Parking and Traffic, and 3) Juvenile Probation Department.

2. According to Ms. Lee Samson of Adult Probation, Adult Probation has spent a total of $2,182 to date, consisting of $1,682 in document translation services and $500 in printing services. Ms. Samson states that the translation services were provided by the International Effectiveness Center, and the printing was provided through a work-order with Reproduction and Mail Services. Ms. Samson reports that Adult Probation is currently in compliance with the EAS ordinance since all vital documents have been translated and printed. Ms. Samson states that because there would be no additional FY 2001-2002 expenditures, the total cost for FY 2001-2002 is $2,182. Ms. Samson estimates that the annual cost for new and revised documents into the future would be approximately $500.

3. According to Mr. Sid Baker of the Department of Consumer Assurance, the Department of Consumer Assurance has spent $1,499 to date, consisting of $957 in document translation services and $542 in printing services. Mr. Baker reports that both the translation and printing services were provided through a work-order with Reproduction and Mail Services. Mr. Baker notes that due to budget constraints, only one of six vital documents were translated and printed in FY 2001-2002. Mr. Baker does not anticipate any additional EAS ordinance related expenditures during FY 2001-2002 due to a lack of funds. Therefore, the total FY 2001-2002 cost is $1,499. Mr. Baker estimates that an additional $8,000 in funds, consisting of $4,500 in translation costs and $3,500 in printing costs would be required to fully comply with the EAS ordinance.

4. Ms. Jeanne Zarka of the Department of Human Services (DHS), reports that DHS has spent $350 in printing costs and $600 in document translation costs directly and solely attributable to the EAS ordinance, for a total of $950 to date. Ms. Zarka further states that $600 in translation services were provided by the company, Excel Translation Services, and $350 in printing costs were provided by Reproduction and Mail Services. In addition to the $950 spent to date, Ms. Zarka anticipates spending $16,000 in translation and $16,660 in printing during the remaining fiscal year, for a total projected FY 2001-2002 cost of $33,610, included in the FY 2001-2002 budget.

In the Budget Analyst's May 23, 2001 Finance Committee report, the DHS estimated that translation costs for FY 2001-2002 would total $149,870. Ms. Zarka explains that the current estimate of $33,610 is significantly less than the previous $149,870 projection because 1) DHS has prioritized the materials needing translation, 2) DHS has compiled essential information and materials into a comprehensive guide to all program services, and 3) the original projection included translation of some materials that were partially, though not exclusively, attributable to the EAS ordinance. In addition, the previous estimate assumed that all vital documents would be translated on an accelerated time schedule within one fiscal year. Ms. Zarka anticipates that new and revised document translating and printing costs in the future would be attributable to State and Federal regulations. Therefore, DPH does not estimate any future costs directly attributable to the EAS ordinance.

5. According to Mr. Alexander, the Department of Public Health (DPH) has spent $23,062 to date, which consists of $13,965 in document translation services, $6,042 in printing services, and $3,055 in bilingual pay. As previously noted, Mr. Alexander states that the costs reported for translation, printing and bilingual pay may not be directly and solely attributable to the EAS ordinance since similar practices are already mandated by State and Federal regulations. Mr. Alexander further states that DPH was unable to separate EAS ordinance related activities from activities resulting from other similar policies. Mr. Alexander reports that document

translations were provided by the International Effectiveness Center and DPH staff persons; Reproduction and Mail Services performed printing services. Mr. Alexander further states that the bilingual premiums included in this report were for vacant positions filled during FY 2001-2002, thus may be attributable to the EAS ordinance. According to Mr. Alexander an additional $9,975 in translation and $4,315 in printing would be spent during the fiscal year for a total FY 2001-2002 cost of approximately $37,352.

In the Budget Analyst's May 23, 2001 Finance Committee report, DPH estimated that costs for FY 2001-2002 would total $300,000. Mr. Alexander states that the $37,352 projected FY 2001-2002 cost is significantly lower because the original estimate included patient and client related documents that were not related to the EAS ordinance. After subsequent review of the criteria for documents requiring translation under the EAS ordinance, DPH has determined that less than 20 percent of the documents included in the original estimate, or less than $60,000 of the original $300,000 estimate requires translation attributable to the EAS ordinance. Mr. Alexander advises that costs to translate and print remaining existing documents, that may be related to the ordinance, would not exceed $25,000.

6. According to Mr. Joe Speaks of the Metropolitan Transportation Authority, Muni has not incurred any costs as a direct result of the EAS ordinance to date. Mr. Speaks states that Muni has been translating and printing vital documents prior to the ordinance as a result of other departmental policies. Mr. Speaks estimates that $3,000 would be spent in FY 2001-2002 consisting of $1,000 in translation costs and $2,000 in printing costs. Mr. Speaks further estimates that an additional one time cost of $20,000 consisting of $15,000 in translation costs and $5,000 in printing costs would be spent for Muni to fully comply with the EAS ordinance. According to Mr. Speaks, an annual expenditure of $3,000 would be required to update materials.

7. According to Mr. Reggie Smith of the District Attorney's Office, the District Attorney's Office has spent $509 in bilingual premium costs attributable to the EAS

ordinance to date. Mr. Smith states that the District Attorney's Office has not translated or printed any vital documents to date due to an uncertainty of available funds. In addition to the $509 in bilingual pay, Mr. Smith estimates that during the fiscal year, there would be an additional expenditure of $395 in bilingual premium pay and $1,846 in translation, for a total projected FY 2001-2002 cost of $2,750 attributable to the EAS ordinance included in the FY 2001-2002 budget. According to Mr. Smith, the District Attorney's Office currently does not have an estimate for printing costs for the remaining fiscal year, or into the future. Mr. Smith estimates that an additional $3,605 in translation funds would be needed for the District Attorney's Office to comply with the ordinance.

8. Ms. Anne Okubo of the Emergency Communications Department reports that the Emergency Communications Department has spent $545 on translating vital documents to date. Ms. Okubo states that the private consultant, International Effectiveness Center, provided translation services. Ms. Okubo further states that the Department will spend an additional $225 in printing during the fiscal year, for a total FY 2001-2002 projected cost of $770. Ms. Okubo reports that the Department will be in compliance with the ordinance once the printing is complete, and does not anticipate additional costs into the future.

9. According to Ms. Khai Ali of the Fire Department, the Fire Department has spent a total of $288 to date, consisting of $138 in document translation and $150 in printing. Ms. Ali reports that Fire Department staff and translation software were used to translate materials, and printing services were provided by Reproduction and Mail Services. According to Ms. Ali, the Fire Department has not fully translated all of its documents due to a lack of sufficient funds. Ms. Ali estimates that an additional $11,000, absorbed into the FY 2001-2002 budget, would be spent during the fiscal year for translation services, for a total projected FY 2001-2002 cost of $11,288. Ms. Ali states that the cost to translate and print all vital documents, in compliance with the EAS ordinance, would be approximately $28,000.

10. According to Ms. Karen Hickman of the Police Department, the Police Department has spent $1,182 to date, consisting of $1,050 in document translation services, and $132 in printing services. Ms. Hickman reports that translation services were provided by Project Safe and Police Department staff; Printing services were provided by Reproduction and Mail Services. According to Ms. Hickman, the Police Department has not fully translated all of its documents due to a lack of sufficient funds. Lt. Gary Manini of the Police Department estimates that an additional $15,000 in translation and printing, absorbed in the FY 2001-2002 budget, would be spent during the fiscal year, for a total projected FY 2001-2002 cost of $16,182. According to Lt. Manini, the Police Department has not yet received a cost estimate for translating its remaining documents, and therefore cannot separate the estimated $15,000 in additional expenditures into translation and printing costs. According to Lt. Manini, the Police Department is also unable to estimate the total cost to comply with the EAS ordinance, but anticipates spending an additional $60,000 in FY 2002-2003.

11. According to Mr. Randall Martin of the Public Defender's Office, the Public Defender's Office has spent $1,235 to date, consisting of $150 in document translation and $1,085 in printing. According to Mr. Martin, documents were translated by Department staff, then reviewed by court-certified interpreters; Reproduction and Mail Services provided printing services. Mr. Martin reports that an additional $900 in translation and $3,255 in printing would be spent in the fiscal year, for a total projected FY 2001-2002 cost of $5,390, at which time the Public Defender's Office would be in compliance with the EAS ordinance. Mr. Martin explains that the low number of documents translated to date is a result of translation delays within the Department. According to Mr. Martin, the Public Defender's Office anticipates spending approximately $750 annually on new and revised documents in the future to comply with the EAS ordinance.

12. According to Mr. John Clark of the Department of Aging and Adult Services, the Department of Aging and Adult Services has not spent any funds to date

attributable to the EAS ordinance. Mr. Clark estimates that approximately $2,250 would be spent in FY 2001-2002 consisting of $1,000 in translation costs and $1,250 in printing costs. Mr. Clark further estimates that an additional $500 in translation and $1,000 in printing, or $1,500 would be required for the Department to fully comply with the EAS ordinance. Mr. Clark does not anticipate further costs for translating existing documents into the future.

13. According to Mr. Joe Grubb of the Rent Stabilization and Arbitration Board, the Rent Stabilization and Arbitration Board has not spent any funds to date attributable to the EAS ordinance. Mr. Grubb notes that the Rent Stabilization and Arbitration Board has already previously translated into Spanish and Chinese, 68 written materials called scripts, which describe departmental functions and services. Mr. Grubb estimates that approximately $30,000, included in the FY 2001-2002 budget, would be spent during the remainder of FY 2001-2002 to translate and record scripts in Spanish and Chinese. Mr. Grubb states that the Rent Stabilization Board anticipates spending an additional $72,857 consisting of $67,000 in translation costs and $5,857 in printing costs to comply with the EAS ordinance.

14. According to Ms. Jean Mariani of the Sheriff's Department, the Sheriff's Department has spent $713 to date on document translation services provided by a private consultant, Language Line Services. Ms. Mariani states that the Sheriff's Department had already translated most of its documents prior to the EAS ordinance, and is currently in compliance with the ordinance. Ms. Mariani further states that the Sheriff's Department does not anticipate any additional expenditures in FY 2001-2002. According to Ms. Mariani, the Sheriff's Department does anticipate future expenditures for new and revised documents, but cannot estimate the annual cost at this time.

15. As reported by the 16 Tier 1 Departments, the total estimated FY 2001-2002 costs associated with the EAS ordinance is $146,986. Below is a summary of total projected translating, printing and bilingual premium expenditures in FY 2001-2002 as reported by each department, including costs to date and projected costs for the balance of FY 2001-2002.

Department	Bilingual Pay	Document Translation	Printing	Total FY 2001-2002
Adult Probation		$1,682	$500	$2,182
Dept. of Consumer Assurance		957	542	1,499
Dept. of Elections		-	-	-
Dept. of Human Services		16,600	17,010	33,610
Dept. of Parking and Traffic		-	-	-
Dept. of Public Health	3,055	23,940	10,357	37,352
Metropolitan Transportation Authority		1,000	2,000	3,000
District Attorney	904	1,846	-	2,750
Emergency Communications Dept.		545	225	770
Fire Department		11,138	150	11,288
Juvenile Probation Dept.		-	-	-
Police Dept.		1,050	132	1,182
Public Defender		1,050	4,340	5,390
Dept. Of Aging and Adult Services		1,000	1,250	2,250
Rent Stabilization and Arbitration Board		30,000		30,000
Sheriff's Dept.		713		713
Total	$3,959	$91,521	$36,506	$131,986
Police Dept.				15,000[b]
Total FY 2001-2002				**$146,986**

16. According to Mr. Dang Pham of the Immigrant Rights Commission (IRC), the IRC has to date, developed a compliance checklist, as shown in the Attachment provided by Mr. Pham, to assist Tier 1 Departments in formulating compliance plans. In addition, Mr. Pham

[b] According to Lt. Manini, the Police Department could not allocate the $15,000 projected FY 2001-2002 costs into translation costs and printing costs. Therefore, the $15,000 was not included in the total printing and translation totals.

states that the IRC has implemented a three-step process which provides the Departments with written reminders of their obligations under the EAS ordinance, and sets forth deadlines for compliance. Mr. Pham advises that the IRC is currently reviewing the Tier 1 Department compliance plans to determine whether they comply with the EAS ordinance.

17. According to Ms. Christine Haw of the Planning Department, the Planning Department has to date gathered and reviewed the 1990 U.S. Census data. However, because the 1990 U.S. Census data is not a timely document according to Ms. Haw, the Planning Department is currently awaiting the release of a detailed form of the 2000 U.S. Census data, which will be used to determine the number of persons having limited English speaking capabilities. Ms. Haw further states that the Planning Department, in consultation with the IRC, has determined that emphasis would be placed on Spanish and Chinese speakers per supervisoral district.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Immigrant Rights Commission

Equal Assess to Service Ordinance

Compliance Plan Checklist

Checklist		Oct. 15th Compliance Plan
	1	The number and percentage of limited English speaking persons who actually use the Department's services citywide, listed by language other than English, using either method in Section 89.2(j) of the Ordinance. 89.2(j) Public Contct Positon shall mean a position in which a primary job responsibility consists of meeting, contacting, & dealing with the public in the performance of the duties of that position.
	2	The number and percentage of persons who use the services provided by a Covered Department Facility, listed by language spoken other than English, using either method in Section 89.2(j) of the Ordinance.
	3	The number of Public Contact Positions in the Department.
	4	The number of Bilingual Employees in Public Contact Postions, their titles, office locations, and the language(s) other than English that the persons speak.
	5	A description of any use of telephone-based interpretation services, including the number of times such services were used and the language(s) for which they were used.
	6	A narrative assessment of the procedures used to facilitate communication with Limited English Speaking Persons, which shall include an assessment of the adequacy of the procedures.
	7	A numerical assessment of the additional Bilingual Employees in Public Contact Positions needed to meet the requirements of Section 89.3 of the Ordinance. **Sec. 89.3 Equal Access to Services (a)** Utilizing sufficient Bilingual Employees in Public Contact Positions, Departments shall provide information & services to the public in each language spoken by a Substantial Number of Limited English Speaking Persons or to the public served by a Covered Department Facility in each language spoken by a Concentrated Number of Limited English Speaking Persons. Departments comply with their obligations under this Section if they provide the same level of service to Limited English Speaking Persons as they provide English speakers. **(b)** Departments need only implement the hiring requirements in this ordinance by filling public contact positions made vacant by retirement or normal attrition. Nothing herein shall be construed to authorize the dismissal of any City employee in order to carry out this ordinance. **(c)** This Article shall be interpreted & applied so as to be consistent with Title VII of the Civil Rights Act of 1964, California's Fair Employment & Housing Act, & Article X of the San Francisco Charter & so as not to impede or impair the City's obligations to comply with any court order or consent decree.

	8	If assessments indicate a need for additional Bilingual Employees in Public Contact Positions to meet the requirements of Section 89.3 of the Ordinance, a description of the Department's plan for filling the positions, including the number of estimated vacancies in Public Contact Positions.
	9	The name, title, and language(s) other than English (if any) spoken by the staff member designated with responsibility for ensuring the accuracy and appropriateness of translations for each language in which services must be provided under Section 89.3 of the Ordinance.
	10	A list of the Department's written materials required to be translated under the Ordinance, the language(s) into which they have been translated, and the staff person who has reviewed the translated material for accuracy and appropriateness.
	11	A description of the Department's procedures for accepting and resolving complaints of an alleged violation of the Ordinance.
	12	A copy of the written policies on providing services to Limited English Speaking Persons.
	13	A list of goals for the upcoming year.
	14	Any other information requested by the Commission necessary for the implementation of the Ordinance.

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, April 10, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

President Ammiano appointed himself to serve as a member of the Finance Committee.

MEETING CONVENED

The meeting convened at 12:37 p.m.

020144 **[Establishing Trial Rates for City Owned Garages and Metered Parking Lots]**

Resolution approving trial rates as proposed permanent parking rates, with adjustments, for the Civic Center Garage, the Ellis O'Farrell Garage, the 16th & Hoff Street Garage, the 324-8th Avenue Parking Lot (at 8th and Clement), the 330-9th Avenue Parking Lot (at 9th and Clement) and the 421-18th Avenue Parking Lot (at 18th and Geary) and the Performing Arts Garage. (Parking and Traffic Department)

2/6/02, RECEIVED AND ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Steven Lee, Parking Authority; Ronald Szeto, Parking Authority.
Continued to 3/20/02.

3/27/02, CONTINUED. Speakers: None.
Continued to 4/10/02,

Heard in Committee. Speakers: Stephen Wally, Jewelry by Stephen; Ronald Szeto, Acting Director, Parking Authority; Theodore Lakey, Deputy City Attorney; Billie Bragman, Board of Ellis O'Farrell Garage; Paul Serigan.
Continued to 4/24/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020390 [Administrative Code Revision: Health Service System]

Supervisor McGoldrick

Ordinance amending Chapter 16, Article XV, of Part 1 of the San Francisco Municipal (Administrative) Code by amending Section 16.703 regarding Board approval of Health Service System Plans and Contribution Rates. (Human Resources Department)

(Fiscal impact.)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

3/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Yvonne Hudson, Health Service System; Mike Kramer, Towers Perrin.
Continued to 4/10/02.

Speakers: None.
Continued to 4/17/02.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020192 [Supplemental Appropriation, Department of Human Services]

Supervisor Gonzalez

Ordinance appropriating $47,000 of the General Reserve to fund Homeless Prenatal Services for the Department of Human Services for fiscal year 2001-02.

2/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Rob Eshelman, Legislative Assistant to Supervisor Gonzalez; Harvey Rose, Budget Analyst; Cindy Ward, Department of Human Services, Homeless Programs; Martha Ryan, Executive Director, Homeless Prenatal Program; Rosan Fernandez; Woody Harden; Lisa Smith, Counselor, Homeless Prenatal; Virginia Martinez, Program Director, Homeless Prenatal; Liz Strand, employee, Homeless Prenatal; Peg Stevenson, Controller's Office.
Amended by placing $23,500 on reserve.

AMENDED.

Ordinance appropriating $47,000 of the General Reserve to fund Homeless Prenatal Services for the Department of Human Services for fiscal year 2001-02; placing $23,500 on reserve.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020410 [Municipal Transportation Agency Leverage Lease Financing]

Mayor

Resolution authorizing one or more defeased lease-to-service contract transactions with respect to up to 118 Breda light rail cars; approving the form of and authorizing the execution and delivery of one or more Participation Agreements setting forth the terms and conditions of the lease-to-service contract transactions relating to the rail cars; approving the form of and authorizing the execution and delivery of one or more Head Lease Agreements providing the terms and conditions pursuant to which the rail cars will be leased to one of up to 6 trusts; approving the form of and authorizing the execution and delivery of one or more Head Lease Supplements supplementing the terms and conditions pursuant to which specific rail cars will be leased to each trust; approving the form of and authorizing the execution and delivery of one or more Sublease Agreements providing the terms and conditions pursuant to which each trust will lease the rail cars back to the City to be operated and maintained by the City; approving the form of and authorizing the execution and delivery of one or more Sublease Supplements supplementing the terms and conditions pursuant to which the City will lease back the rail cars from each trust; approving the form of and authorizing the execution and delivery of one or more Payment Agreements providing the terms and conditions pursuant to which the City will provide for the payment of a portion of the sublease rent; approving the form of and authorizing the execution and delivery of an Equity Collateral Security Agreement and a Custody Agreement providing the terms and conditions pursuant to which the City will provide for a custody account to hold and a security interest in, certain securities for the payment of a portion of the sublease rent and the purchase option purchase price if the purchase option is or is deemed exercised; approving the form of and authorizing the execution and delivery of one or more Support and Access Agreements providing the terms and conditions pursuant to which the City will provide each trust support and access to certain property if the City chooses not to purchase the rail cars at the end of the "base" sublease term; approving the form of and authorizing the execution and delivery of one or more Agreements for Assignment on Default each of which will provide the lender with an option to purchase, and take an assignment from an equity investor, such equity investor's beneficial interest in the trust estate upon the occurrence of a trigger event (as such term is defined in said Agreement); approving the form of and authorizing the execution and delivery of one or more Tax Indemnification Agreements providing the terms and conditions pursuant to which the City will indemnify each equity investor for income inclusions or losses of tax benefits; approving the form of and authorizing the execution and delivery of one or more Insurance and Indemnity Agreements providing the terms and conditions pursuant to which the City will indemnify each strip surety provider; approving indemnification of various parties; acknowledging the waiver of the City's right to jury trial under certain circumstances; acknowledging proposed waiver requests pursuant to Sections 12B.5-1(d) and 12C.5-1(d) of the San Francisco Administrative Code; finding that the lease-to-service contract transaction is designed to reduce the amount or duration of payment or similar risk to the City or enhance the relationship between risk and return with respect to investments made pursuant to or in connection with such transaction; approving and authorizing the execution and delivery of any document necessary to implement this Resolution; authorizing the execution and delivery of documents in conforming sets for one or more equity investors; ratifying and approving any action heretofore taken in connection with the transaction contemplated by this Resolution; and related matters. (Mayor)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

3/27/02, CONTINUED. Speakers: None.
Continued to 4/10/02,

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Burns, General Manager, Municipal Railway; Theodore Lakey, Deputy City Attorney; Peter Ross, Financial Advisor for the City; Monique Moyer, Mayor's Office of Public Finance; Edward Harrington, Controller; Andrew Sullivan; Jim Chappel, President, SPUR; Kevin Hughes, Assistant Business Manager, Electrical Workers, Local 6.
Amended on page 14, line 13, at the end of the paragraph, by adding the following: "Any changes, additions or modifications by the Mayor or his designee should not substantially alter the agreements as approved by the Board of Supervisors If amy such changes, additions or modifications are substantive, additional Board of Supervisors approval is required."
Further amended on page 14, line 25, at the end of the paragraph, by adding the following: "Any such agreements or actions should result in a transaction that is substantially the same as that approved by the Board of Supervisors. If such agreements or actions result in a transaction that differs substantially from that approved by the Board of Supervisors, additional Board of Supervisors approval is required."

AMENDED.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020463 [Extending Budget Analyst agreement for two years (through 2005)]

Supervisor Ammiano

Motion approving an Agreement for Professional Budget Analyst Services between the City and County of San Francisco and Stanton W. Jones and Associates; Debra A. Newman; Rodriguez, Perez, Delgado & Company Certified Public Accountants; Harvey M. Rose Accountancy Corporation Certified Public Accountants; and Louie & Wong LLP Certified Public Accountants ("A Joint Venture") for two years (January 1, 2004 through December 31, 2005) with three additional two-year options for extension being given to the City (for a total possible term of eight years, through December 31, 2011), at an annual cost of $2,090,339, as may be adjusted annually.

(Fiscal impact.)

3/18/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Gloria Young, Clerk of the Board; Harvey Rose, Budget Analyst.
Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Motion amending the Agreement for Professional Budget Analyst Services between the City and County of San Francisco and Stanton W. Jones and Associates; Debra A. Newman; Rodriguez, Perez, Delgado & Company Certified Public Accountants; Harvey M. Rose Accountancy Corporation Certified Public Accountants; and Louie & Wong LLP Certified Public Accountants ("A Joint Venture") by extending the Agreement for an additional two years (January 1, 2004 through December 31, 2005) with two additional two-year extensions being given to the City (for a total possible term extension of six years, through December 31, 2009), at an annual cost of $2,090,339, as may be adjusted annually.

(Fiscal impact.)

4/10/02 - Amendment of the Whole bearing new title prepared in Committee.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020445 **[Sale of Real Property]**

Supervisor Maxwell

Resolution authorizing and approving the transfer of the real property located in the City of San Francisco by and between the City and County of San Francisco, for the Department of Public Health, as Seller, and Visitacion Valley Community Center, Inc., as Buyer; authorizing and approving the conveyance of the real property located at Assessor's Block 6237, Lots 009 through 013, commonly known as 50 Raymond Avenue; adopting findings that such conveyance is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1; and adopting findings that such conveyance is categorically exempt from compliance with the California Environmental Quality Act.

3/18/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

020137 **[Funding the Sheriff's Department's shortfalls in salary, overtime, and retirement payoffs]**

Ordinance appropriating $1,896,196 from the General Fund Reserve, $2,793,734 from Federal funding for housing prisoners, and reappropriating $300,000 from savings in natural gas for a total of $4,989,930 to cover shortfalls in salaries, overtime and retirement payoffs at the Sheriff's Department for fiscal year 2001-02. (Sheriff)

(Fiscal impact.)

2/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jean Mariani, Sheriff's Department; Michael Hennessey, Sheriff; Taylor Emerson, Mayor's Budget Office.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Ammiano

The Chair will entertain a motion to continue consideration of the following item (File 020193) to a future meeting:

020193 **[Emergency Response Fee Amendments]**

Supervisors Peskin, Daly

Ordinance amending Articles 6 and 10a of the San Francisco Business And Tax Regulations Code by amending Sections 6.1-1, 750, 751, 753, 755 and 757, deleting section 756 and adding sections 752.2 And 755.1 to clarify the application of the Code's common administrative provisions to the Emergency Response Fee; to provide for use of Emergency Response Fee Revenues for operating costs of the 911 Communication System; to update the findings supporting the fee; to increase the amount of the annual cap on fee payments per account, per service location to reflect inflation; to increase the fee rate for trunk line subscribers and add a rate for high capacity trunk line subscribers; and to eliminate the fee sunset, and amending section 10.100-67 of the San Francisco Administrative Code to allow for use of monies in the Emergency Communications 911 Emergency Response Fund for operating costs of the 911 Communication System.

(Fiscal impact.)

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.

4/8/02, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title, approved as to form.

4/8/02, ASSIGNED to Finance Committee.

Speakers: None.

Continued to 4/24/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Ammiano

ADJOURNMENT

The meeting adjourned at 4:27 p.m.

0.25
/
10/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 4, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: April 10, 2002 Finance Committee Meeting

Item 1 - File 02-0144

Note: This item was continued by the Finance Committee at its meeting of March 27, 2002.

Department: Department of Parking and Traffic (DPT)
Parking Authority

Item: Resolution approving parking rates at the following seven City-owned parking facilities: the Civic Center Garage, the Ellis O'Farrell Garage, the 16th and Hoff Street Garage, the Performing Arts Garage, the 324 8th Avenue Parking Lot (at 8th and Clement), the 330 9th Avenue Parking Lot (at 9th and Clement), and the 421 18th Avenue Parking Lot (at 18th and Geary).

Description: In accordance with Section 17.14 of the Administrative Code, the Parking and Traffic Commission can establish parking rates at City-owned parking facilities on a trial basis for a period of up to 360 days, without first obtaining approval of the Board of Supervisors. The Parking and Traffic Commission has oversight responsibility of 40 City-owned parking facilities, of which 19 are parking garages and 21 are metered parking facilities. This responsibility includes recommending permanent parking rates to be charged at these parking

facilities, which are subject to approval, by the Board of Supervisors.

The proposed resolution would adopt permanent parking rates recommended by the Parking and Traffic Commission at the seven City-owned parking facilities identified above, generally at the same rates which had been implemented by the DPT on a trial basis. A comparison of the proposed subject recommended permanent parking rates to both the original parking rates previously approved by the Board of Supervisors and to the trial parking rates established by the Parking and Traffic Commission, is shown in Attachment I, provided by Mr. Steven Lee of the Parking Authority. Attachment II, provided by Mr. Lee, explains the adjustments between the previously established trial parking rates and the proposed subject permanent parking rates at the seven City-owned parking facilities.

According to Mr. Lee, the existing parking rates for the seven subject City-owned parking facilities were implemented by the DPT on a trial basis as follows:

Garage	Trial Period Start Date	360-day Expiration Date
Civic Center Garage	September 1, 2001	August 26, 2002
Ellis O'Farrell Garage	March 1, 2001	February 26, 2002
16th and Hoff Street Garage	March 1, 2001; December 1, 2001	February 26, 2002; November 26, 2002*
Performing Arts Garage	October 1, 2001	September 25, 2002
324 8th Avenue Parking Lot	August 14, 2001	August 9, 2002
330 9th Avenue Parking Lot	August 14, 2001	August 9, 2002
421 18th Avenue Parking Lot	August 14, 2001	August 9, 2002

*According to Mr. Lee, trial valet parking rates were implemented on March 1, 2001 and increased long-term valet parking rates were implemented on December 1, 2001 for the 16th and Hoff Street Garage.

According to Mr. Lee, the DPT implemented the parking rates on a trial basis to meet the Department's objectives to reduce traffic, promote short-term transient parking, discourage low-occupancy commuter parking and increase revenues in City-owned parking facilities.

As shown in Attachment III, provided by Mr. Lee, the subject seven City-owned parking facilities currently have a total parking space capacity of approximately 2,600 parking spaces. According to Mr. Lee, the 2,600 parking spaces accommodate both approximately 968 monthly parking patrons and approximately 101,500 transient parking patrons per month.

Comments:

1. Attachment III, also contains projected parking revenues for FY 2001-2002 and for FY 2002-2003 for the subject seven City-owned parking facilities. As shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven City-owned parking facilities will generate estimated total gross parking receipts of $8,643,600 in FY 2001-2002 or $76,038 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. Also shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven parking facilities will generate estimated total parking receipts of $8,881,000 in FY 2002-2003 or $313,438 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. According to Mr. Lee, the projected total parking receipts for the Civic Center Garage for FY 2001-2002 and the projected total parking receipts for the Ellis O'Farrell Garage were both affected by the events of September 11, 2001.

2. In Attachment II Mr. Lee explains the valet transient parking rates at the 16th and Hoff Street Garage.

3. Mr. Lee advises that trial monthly carpool rates at the Ellis O'Farrell Garage and the 16th and Hoff Street Garage, as shown in Attachment I, were designed to encourage carpooling and to open up more parking spaces for increased short term parking. To qualify for the carpool rate there must be three or more occupants in the vehicle. According to Mr. Lee, the "Re-opening Garage Fee" rates listed in Attachment I do not accrue to the City but rather accrue to the garage operators.

4. At its meeting of February 27, 2002, the Finance Committee requested DPT to update the Committee on the status of the eviction of some commercial sub-tenants occupying space on the ground floor of the Ellis O'Farrell

Garage at 121 O'Farrell. Attachment IV, provided by Mr. Ron Szeto of DPT, is a memorandum in response to the Committee's request with respect to such evictions.

5. At its meeting of March 27, 2002, the Finance Committee requested DPT to update the Committee on the status of the eviction of some commercial sub-tenants occupying space on the ground floor of the Ellis O'Farrell Garage at 121 O'Farrell. Mr. Szeto advises that the status of the eviction has not changed since the March 20, 2002 Finance Committee Meeting.

Recommendation: Approval of the proposed resolution is a policy decision for the Board of Supervisors.

CIVIC CENTER GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Day Rates (Opening until 7:00 pm)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
Lost Ticket	18.00	18.00	18.00
Special Event	8.00	9.50	9.50
Motorcycle	1.00	1.00	1.00
Student	5.00	5.00	5.00
Bicycle	Free	Free	Free
Berkeley Repertory Theatre/Bart	N/A	4.00	4.00
Overnight Flat Rate	N/A	2.00	2.00
Overnight Flat Rate Hours	(9:00 PM to 9:00 AM Mon through Fri) (9:00 PM to 12:00 PM Sat and Sun)		
Evening Rates (7:00 pm until Closing)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
Monthly Parking			
Regular	156.25	156.25	156.25
Resident	90.00	90.00	90.00
Motorcycle	25.00	25.00	25.00
Government	125.00	125.00	125.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00
Restricted	N/A	75.00	75.00
Restricted - (No Parking between 9:00 AM to 6:00 PM Monday through Friday)			75.00
Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

ELLIS O'FARRELL GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Mon.-Sat. Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	2.00	2.00
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	5.00	4.00	4.00
3.0 - 4.0 Hours	7.00	6.00	6.00
4.0 - 5.0 Hours	9.00	9.00	9.00
5.0 - 6.0 Hours	12.00	12.00	12.00
6.0 - 7.0 Hours	15.00	15.00	15.00
Over 7 Hours	15.00	20.00	20.00
Maximum Mon.-Sat. Day Rate	15.00	20.00	20.00
Motorcycle Flat Fee	3.00	3.00	3.00
Sunday Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	1.00	2.00
1.0 - 2.0 Hours	3.00	2.00	3.00
2.0 - 3.0 Hours	5.00	3.00	4.00
3.0 - 4.0 Hours		4.00	6.00
4.0 - 5.0 Hours		5.00	
Maximum Sunday Day Rate	5.00	5.00	6.00
Evening Rates (every night 6:00 pm until closing)			
0.0 - 1.0 Hour	1.00	1.00	1.00
1.0 - 2.0 Hours	3.00	2.00	2.00
2.0 - 3.0 Hours	5.00	3.00	3.00
3.0 - 4.0 Hours		4.00	4.00
4.0 - 5.0 Hours		5.00	5.00
Maximum Evening Rate	5.00	5.00	5.00
Lost Ticket and 24 Hour Maximum			
Monday through Saturday	20.00	25.00	25.00
Sunday	10.00	10.00	11.00
Monthly Parking			
Regular	195.00	250.00	250.00
Carpool	N/A	125.00	125.00
Miscellaneous Charges			
Late Monthly Payments	N/A	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	N/A	25.00	25.00
Access Card Deposit	25.00	50.00	25.00
Re-opening Garage Fee	N/A	50.00	50.00

16th and Hoff Street Garage

	Original Parking Rate	Trial Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking				
Metered each 30 minutes	0.25			
Transient Vehicles Self-Park (2 hour limit) (Enforced 9:00 am to 6:00 pm)				
Flat Rate (opening until 6:00 pm)		2.00		
Flat Rate (6:00 pm until closing)		4.00		
Transient Vehicles - Valet Parking Only				
All Day Rates				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour			2.00	
1.0 - 2.0 Hours			2.00	
2.0 - 3.0 Hours			2.00	
3.0 - 4.0 Hours			3.00	
4.0 - 5.0 Hours			4.50	
5.0 - 6.0 Hours			6.00	
6.0 - 7.0 Hours			8.00	
7.0 - 24 Hours			12.00	
Day Rates (opening until 6:00 pm)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				1.00
1.0 - 2.0 Hours				2.00
2.0 - 3.0 Hours				3.00
3.0 - 4.0 Hours				4.00
4.0 - 5.0 Hours				6.00
Evening Rates (6:00 pm until closing)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				2.00
1.0 - 2.0 Hours				4.00
2.0 - 3.0 Hours				6.00
24 Hour maximum				12.00
Lost Ticket	N/A	6.00	12.00	12.00
Monthly Parking				
Regular	75.00	75.00	75.00	100.00
Carpool	N/A	N/A	50.00	50.00
Monthly Patrons Self-Park on Roof Level				
Miscellaneous Charges				
Late Monthly Payments				25.00
Lost Access Card				25.00
Damaged Access Card				25.00
Access Card Deposit				50.00
Re-opening Fee				50.00

PERFORMING ARTS GARAGE

Transient Parking	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
24 Hour Maximum	15.00	14.00	14.00
Lost Ticket	15.00	15.00	14.00
Early Bird	7.00	7.00	7.00
Motorcycle	2.00	2.00	2.00
Special Event	8.00	9.50	9.50
Overnight Flat Rate	3.00	2.00	2.00
Overnight Flat Rate Hours Must enter before closing and remain overnight.	(From closing until 9:00 am)	(From 9:00 PM until 12 noon next day the garage is open for business)	
Monthly Parking			
Regular	140.00	140.00	140.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00
Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

Metered Parking Lots

	Original	Trial & Proposed Permanent
324 8th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
330 9th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
421 18th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (1-Hour time limit 9 AM to 6 PM) (2-Hour time limit 6 PM to 12 AM)

City and County of San Francis

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: February 20, 2002

TO: Maureen Singleton
Budget Analyst Office

FROM: Steven Lee SL
Principal Analyst
Parking Authority

SUBJECT: **File No. 02-0144, Resolution Approving Trail Rates as Permanent Rates at Various City Garages and Metered Parking Lots**

The purpose of this memorandum is to address your questions regarding the operations of the 16th & Hoff Street Garage, the Revenues Projections for FY 2000-2003 and the differences between the Trial Rates and the Proposed Permanent Parking Rates.

The St. Mary's Square Garage and the 16th and Hoff Street Garage is jointly operated under one Management Agreement, dated October 1, 1997, between Parking Concepts, Inc./DAJA, Inc. and the City. The Management Agreement also required the operator to manage the 16th & Hoff Street Garage which at that time was a self-park metered per stall facility with controlled monthly parking on the roof level that only required the operator to provide a security presence.

In February 2001, after meeting with the Mission District Community, in October 2000, to discuss their concerns regarding quality of life issues that included off-street parking, we removed the parking meters and requested the operator to begin valet attendant operations at the 16th & Hoff Street Garage to increase parking availability that commenced on March 1, 2001. Under the terms of the Management Agreement, the cost of valet attended operation from March 1, 2001 through December 2001 is $148,992 for the additional services. The Total Parking Receipts (including Parking Tax) of $167,925 from March 1, 2001 though December 1, 2001 covers the expenses by $18,933. However, the 16th & Hoff Street Garage generated $43,890 in the prior year for the same ten months before implementing valet attendant services.

We feel that the services provided to the community by the 16th & Hoff Street Garage greatly improves the quality of life for the residents, merchants and visitors of that neighborhood and that this program is worthy of continuing despite the initial reduction in revenue to the City.

In regard to the comparison of FY 2000-2001 Actual to the FY 2001-2002 Projected and the FY 2002-2003 Projected Parking Receipts, we project an increase of $76,038 or 9/10th of a percent for FY 2001-2002 compared to FY 2000-2001 Actual. We project that FY 2002-2003 will be above the FY 2001-2002 by $237,400 or 2.7 percent.

Differences between Trial Rates and Proposed Permanent Parking Rates:

Performing Arts Garage – Lost Ticket from $15.00 to $14.00. The Lost Ticket Rate should equal the 7.0-Hour Rate of $12.00 plus the Overnight Flat Rate of $2.00.

Civic Center Garage – No Difference.

Ellis O'Farrell Garage – We propose adjusting the Sunday Day Rates to reflect the Mon.-Sat. Day Rates with a Maximum Sunday Day Rate of $6.00. The Lost Ticket and 24-Hour Maximum of $11.00 for Sundays reflect the Maximum Sunday Day Rate of $6.00 plus the Maximum Evening Rate of $5.00.

16th & Hoff Street Garage – We propose to discontinue the All Day Rates and implement Day Rates and Evening Rates to balance the needs of the community and the demand for parking at the garage. The initial Trial Rates attracted too many long-term patrons and the second Trail Rates caused the garage to be underutilized because the patrons are either unwilling or could not afford to pay the rates. Please note that all Transient vehicles are valet parked and Monthly patrons self-park on the roof level.

Metered Parking Lots – No Difference.

Please do not hesitate to call me at 554-9869 if you have any questions or concerns.

RATE ADJUSTMENT COMPARISON

Garage / Lot	Effective Date of Rate Adjustment	Current Months of Comparision with same Months of Prior Year	Total Parking Receipts Prior	Total Parking Receipts Current	Total Parking Receipts Difference	Transient Count Prior	Transient Count Current	Transient Count Difference	Monthly Count Prior	Monthly Count Current	Monthly Count Difference
Civic Center	September 1, 2001	Sept. 01 thru Dec. 01	960,868	825,650	(135,218)	130,490	125,230	(5,260)	1,561	1,677	116
Ellis O'Farrell	March 1, 2001	Mar. 01 thru Dec. 01	3,444,015	3,423,406	(20,609)	653,079	680,189	27,110	1,572	1,753	181
16th & Hoff Street	March 1, 2001	Mar. 01 thru Nov. 01	43,890	152,548	108,658	N/A	39,243	N/A	384	576	192
	December 1, 2001	Dec 01	5,724	15,377	9,653	N/A	3,106	N/A	49	64	15
Performing Arts	October 1, 2001	Oct. 01 thru Dec. 01	450,825	546,233	95,408	46,921	49,782	2,861	927	958	31
324 8th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	9,131	10,096	965	N/A	N/A	N/A	N/A	N/A	N/A
330 9th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	5,951	7,022	1,071	N/A	N/A	N/A	N/A	N/A	N/A
421 18th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	7,493	9,057	1,564	N/A	N/A	N/A	N/A	N/A	N/A
Totals			$ 4,927,897	$ 4,989,389	$ 61,492	830,490	897,550	24,711	4,493	5,028	535

FY 2000 - 2001 ACTUALS AND FY 2001 - 2003 PROJECTIONS

Garage / Lot	FY 2000-2001 Actual	FY 2001-2002 Projected	FY 2002-2003 Projected	Garage/Lot Parking Space Capacity
Civic Center	$ 2,700,767	$ 2,800,000	$ 2,600,000	843
Ellis O'Farrell	4,205,998	4,083,000	4,250,000	950
16th & Hoff Street	108,848	207,600	252,000	98
Performing Arts	1,487,225	1,700,000	1,700,000	816
324 8th Avenue Lot	27,087	30,000	31,500	31
330 9th Avenue Lot	17,767	18,000	19,000	28
421 18th Avenue Lot	21,870	27,000	28,500	34
Totals	$ 8,569,562	$ 8,865,600	$ 8,881,000	2,800

Note: Parking Taxes are not applicable at Metered Parking Lots.
Parking Taxes are included in Total Parking Receipts for Parking Garages.

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMOUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

DATE: March 7, 2002

TO: Maureen Singleton, Analyst
Budget Analyst's Office

FROM: Ronald Szeto, Acting Director RS
Parking Authority

RE: **Trial Parking Rates File No. 02-0144**

The purpose of this memorandum is to provide a status update on the 121 O'Farrell Street ground floor commercial space per your request. This request was initiated at the February 27, 2002 Finance Committee meeting of the San Francisco Board of Supervisors in conjunction with consideration of trial parking rates at the Ellis O'Farrell Garage (File No. 02-0144).

It is important to note that the parking rates being considered are only applicable to our parking patrons and have no relationship to the ground floor commercial space lease in question.

Pursuant to the 1992 Lease between the City and County of San Francisco and the City of San Francisco Ellis-O'Farrell Parking Corporation (the "Corporation"), the Corporation is authorized to lease commercial spaces within the Ellis-O'Farrell Garage (the "Garage").

At the February 5, 2002 Parking and Traffic Commission meeting, Mr. Jerome Garchik, attorney representing 15-20 small business owners of the 121 O'Farrell site (subsequently known as 121 O'Farrell Merchants Association "Merchants"), reported that his clients are getting evicted. Mr. Garchik further states that the Corporation is seeking "dot com" boom or rent increases and is looking for a high profile tenant. Mr. Steven Wally, owner of Jewelry By Steven since 1984 at the 121 O'Farrell site, also commented at the meeting. Mr. Wally asked the Parking and Traffic Commission to provide some assistance to the Merchants from being evicted. The Department of Parking and Traffic offered to review the situation and provide assistance to the small business owner.

Maureen Singleton
3-7-02
Page 2 of 4

Findings

- The Corporation has a lease agreement with Wholesale Jeweler's Exchange, LLC. ("WJE") for the 121 O'Farrell commercial space (4,483 square feet). The WJE subleases the commercial space to the Merchants.

- On May 1, 2000, the Corporation and WJE agreed to amend the original 1997 lease to terminate said lease on May 31, 2001. Thereafter, the lease was amended to a month-to-month basis with either party having the right to terminate with 60-days written notice. Subsequently, on December 24, 2001, WJE gave termination notices to the Corporation and to the Merchants effective February 28, 2002. In addition, WJE gave at least three (3) other updates/notices to the Merchants regarding the termination of the lease. (Attached are the Notices)

- Corporation, in preparation of renting the 121 O'Farrell commercial space, started a solicitation process for an exclusive broker.

- At the Corporation's June 28, 2000 meeting, the Corporation selected Blatteis Realty to advertise the commercial space and subsequently executed a 6-month listing agreement commencing September 5, 2000.

- Blatteis advertised the commercial space and in October 2000, posted "For Lease" signs above the main entrance of the commercial space.

- Some of the small business owners of the 121 O'Farrell space started searching for a new business location.

- In February 2001, the Parking Corporation granted Blatteis an extension to the listing agreement until September 5, 2001.

- In September 2001, the tenant of the 133 O'Farrell commercial space (1,127 square feet) was evicted for non-payment of rent and the 133 O'Farrell site became available.

- In September 2001, Blatteis identified Saab Cars USA, Inc. as the only interested party, with sufficient funding, for the 121 O'Farrell site. Since then the Parking Corporation has been in a good faith negotiation with Saab. Although there are not any explicit non-interference clause, the good faith negotiation implies that the Corporation and Saab would negotiate until a conclusion is reached.

- On October 15, 2001, subject to the Saab good faith negotiations, the Corporation executed a listing agreement with a new broker, DiChiara & Wright Realty Services for the marketing of both the 121 and 133 O'Farrell sites.

- On October 17, 2001 Board of Directors meeting, the broker presented eight offers (of which three were made by 121 O'Farrell small business owners). In November 2001, the Corporation executed a ten (10) year lease, commencing on January 1, 2002, for the 133 O'Farrell site with a partnership comprised of an established outside jeweler and one of the small business owners of the 121 O'Farrell site. The small business is and still will continue to sub-lease space from WJE until the build-out of the 133 O'Farrell site is completed (until March 31, 2002). The small business owner reported that several other merchants verbally agreed to rent a portion of the 133 O'Farrell site.

- On December 24, 2001, as mentioned above, WJE served notice of termination (effective February 28, 2002) to the Merchants for the 121 O'Farrell site.

- On February 5, 2002 Parking and Traffic Commission meeting, representative of the small business owners commented that they were being evicted from a public property without proper notice and asked the Parking and Traffic Commission for assistance.

Options

- What appears as a straightforward request by the Merchants became very complicated as we began our assistance.

- There are seven (7) separate parties involved in these two commercial spaces. The City, the Corporation, WJE, the Merchants, the brokers, Saab, and the partners of the 133 O'Farrell site.

- The City and the Corporation do not have legal authorization to dictate terms and condition involving the contractual relationship between WJE and the Merchants.

- If the City directs the Corporation to terminate their good faith negotiations with Saab and conduct exclusive negotiations with the Merchants, then the City would be interfering in a contractual relationship and together with the Corporation could be liable for all costs incurred by Saab and brokers. Also, the City maybe liable for damages to the partners of the 133 O'Farrell site. Furthermore, the City would reward tenants who failed to act responsibly in seeking new business locations and would punish the 133 O'Farrell partners merchants who did act responsibly in moving into the 133 O'Farrell site. If the City decides to pursue this option, the Department of Parking and Traffic recommends that the Merchants shall indemnify the City and the Corporation, and that the Merchants shall be fully responsible for any and all subsequent liability, including but not limited to, damages mentioned above.

In addition, the Merchants shall secure proper insurance and bonds to fulfill the indemnification requirement.

- Since the lease agreement with WJE would have expired on February 28, 2002, the Department of Parking and Traffic encouraged the Corporation and WJE to extend the lease agreement for 60-90 days. The Corporation through WJE proposed a 90-day extension for the Merchants under the same terms and conditions.

- The Merchants are urged to use this time to explore any and all options. The Department of Parking and Traffic suggests that the Merchants contact the Fifth and Mission Garage for available commercial spaces as another option.

- If the City allows the Corporation to continue their good faith negotiations with Saab, the City would not be liable for any potential damages. The Merchants would have at least 90 days to explore other options. Since the market conditions are favorable to renters, the Merchants may find a better location at a reasonable rent. The partners of 133 O'Farrell would continue to conduct business as usual from the 121 or 133 O'Farrell sites. If the good faith negotiations with Saab were to break off naturally, then the Merchants will have a second opportunity to participate for this site in a competitive process.

Cc: Fred Hamdun, Executive Director, DPT
Diana Hammons, DPT
Daniel Hwang, Small Business
Richard Dole, Ellis-O'Farrell Corporation
Honorable Members, Parking and Traffic Commission
Honorable Members, Board of Supervisors

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Item 2 - File 02-0390

Note: This item was continued by the Finance Committee at its meeting of March 27, 2001.

1. The proposed ordinance would amend Section 16.703 of the Administrative Code to approve the City's FY 2002-2003 Health Service System plans and rates of contributions, as adopted by the Health Services Board, to be paid by members of the System. The members of the System include employees and members of Boards and Commissions, retirees, and the spouses, domestic partners, dependents, and surviving spouses of these groups for the City and County of San Francisco, Community College District, and the San Francisco Unified School District.

HEALTH PLANS

2. The Board of Supervisors previously adopted a resolution (File 02-0096) setting the City's contribution to the Health Service Fund for FY 2002-2003 at $246.69 per month for each member. The City's contribution was established in accordance with Charter Sections A8.423 and A8.428, which set the average contribution rate based on a survey of the 10 most populous counties in California (excluding San Francisco). The City's contribution of $246.69 per month ($2,960.28 annually) represents an increase of $32.76 per month, or approximately 15.3 percent, from the FY 2001-2002 rate of $213.93 per month ($2,567.16 annually).

3. Once the City's contribution is established, member contributions are calculated by the Health Service System actuary, Towers Perrin, Consulting Actuaries, in order to ensure that contributions from all sources will be adequate to support anticipated claims for the upcoming fiscal year. This report is based on data provided by Towers Perrin in a March 8, 2002 letter to the Board of Supervisors. The proposed ordinance would establish member contribution rates for FY 2002-2003 in accordance with Charter Sections A8.421 and A8.422. Contribution rates vary depending upon: (1) the member's status (active employee, retiree, etc.); (2) whether or not that individual has Medicare coverage; and (3) which of the City's health plans the member elects to join. The actuarial report and details of the member contribution rates are contained in the file of the Clerk of the Board.

4. Ms. Yvonne Hudson of the Health Service System advises that as of March 1, 2002, 38,474 active employees, including San Francisco Unified School District and the Community College District employees, were covered by the System, with an additional 1,399 who chose not to be covered but who may request coverage in the future. Ms. Hudson advises that the System covers 15,368 retirees and that an additional 977 retirees are eligible to request coverage.

The City Health Plan (which is administered by the City's Health Service System) and Kaiser, Health Net, and Blue Shield (all HMOs) will be offered in FY 2002-2003. The Health System Board voted to offer Blue Shield coverage to retirees

for the FY 2002-2003 year to increase the options available to retirees. In FY 2001-2002, retirees' plan choices were limited to the City Health Plan, Health Net and Kaiser.

5. Changes to the City Health Plan benefits in FY 2002-2003 include:

- Coverage for hearing aids was increased to a $2,500 maximum benefit during any three-year period. Hearing aids were previously subject to an annual $1,000 maximum.

6. The following changes were made in benefits for FY 2002-2003 HMO members:

Blue Shield
- Pharmacy copay increased from $5 to $10 for formulary[1] brand-name[2] drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic[3] drugs remained at $5.
- Hearing aid benefit limit increased from $1,000 to $2,500 per three-year period.
- Infertility benefit modified from one course of treatment per plan year to three courses of treatment per lifetime.

Health Net
- Pharmacy copay increased from $5 to $10 for formulary brand-name drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic drugs remained at $5.

Kaiser
- Pharmacy copay increased from $5 to $10 for brand-name drugs. The pharmacy copay for generic drugs remained at $5.
- Hearing aid benefit limited to $2,500 every three years. Previously the benefit was unlimited.
- Infertility benefit modified from gamete intrafallopian transfer (GIFT) only to three courses of in-vitro fertilization, GIFT or zygote intrafallopian transfer (ZIFT) per lifetime at 50% copay.

[1] A formulary is a list of both generic and brand name drugs that are preferred by a health plan. Health plans will choose formulary drugs that are just as safe and effective as drug alternatives but cost less.

[2] A brand-name drug is supplied by one company (the pharmaceutical manufacturer). The drug is protected by a patent and is marketed under the manufacturer's brand name.

[3] A generic medication is a copy of the brand name drug that can be sold after a manufacturer's drug patent expires. A generic drug is marketed under its chemical name.

7. A comparison of the FY 2001-2002 monthly rates to be paid by active City employees with the FY 2002-2003 rates adopted by the Health Service Board is shown on Table 1:

Table 1
Monthly Health Plan Rates to be Paid by Active City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Employee	$104.86	$118.85	$13.99	13.3%
Employee plus one dependent	328.72	482.39	153.67	46.7%
Employee plus two dependents	559.47	774.81	215.34	38.5%
Kaiser				
Single Employee	0.00	0.00	0.00	0.0%
Employee plus one dependent	203.25	237.10	33.85	16.7%
Employee plus two dependents	371.95	433.89	61.94	16.7%
Health Net				
Single Employee	3.27	18.07	14.80	452.6%
Employee plus one dependent	219.51	281.87	62.36	28.4%
Employee plus two dependents	399.66	501.45	101.79	25.5%
Blue Shield				
Single Employee	5.17	3.10	(2.07)	(40.0%)
Employee plus one dependent	223.28	251.89	28.61	12.8%
Employee plus two dependents	404.24	458.02	53.78	13.3%

See Comment No. 1 for discussion of the potential impact of MOUs on employee's contributions.

8. A comparison of the FY 2001-2002 monthly rates paid by retired City employees who are enrolled in the Health Service System with the proposed FY 2002-2003 rates adopted by the Health Service Board is shown on Table 2 on the following page:

Table 2
Monthly Health Plan Rates to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Subscriber (w/o Medicare)	$52.43	$59.42	$6.99	13.3%
Subscriber plus one dependent (both w/o Medicare)	164.36	241.19	76.83	46.7%
Single Subscriber (w/ Medicare)	27.43	32.42	4.99	18.2%
Subscriber plus one dependent (both w/ Medicare)	127.31	166.29	38.98	30.6%
Kaiser Health Plan				
Single Subscriber (w/o Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/o Medicare)	101.62	118.55	16.93	16.7%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	52.73	94.71	41.98	79.6%
Health Net				
Single Subscriber (w/o Medicare)	1.63	9.03	7.40	454.0%
Subscriber plus one dependent (both w/o Medicare)	109.75	140.93	31.18	28.4%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	94.63	136.02	41.39	43.7%
Blue Shield				
Single Subscriber (w/o Medicare)	--	1.55	--	--
Subscriber plus one dependent (both w/o Medicare)	--	125.94	--	--
Single Subscriber (w/ Medicare)	--	0.00	--	--
Subscriber plus one dependent (both w/ Medicare)	--	183.73	--	--

9. The increases for Medicare retirees are dictated largely by the formula by which HMOs are reimbursed for Medicare members by the Federal Centers for Medicare and Medicaid Services (CMS, formerly the Federal Health Care Financial Administration). In the past, CMS reimbursement enabled the HMOs to provide health care to Medicare retirees at a reasonable cost; however, the Federal Balanced Budget Act of 1997 changed the formula used to calculate the HMOs'

reimbursements. The result was that CMS reimbursements are no longer keeping pace with the cost of health care, and the HMOs make up the shortfall by increasing premiums paid by retired City employees.

VISION PLAN BENEFITS

10. Members enrolled in any of the medical plans offered by the Health Services System also receive vision benefits. All Kaiser members receive vision benefits from Kaiser. All other medical plan enrollees receive vision benefits insured by Vision Service Plan (VSP). Vision plan enrollment is combined with medical plan enrollment, and the cost of the vision benefit is a component of the cost of the medical plan.

VSP offered the City a 7% decrease in premium rates, with the new rates guaranteed for 24 months through June 30, 2004. There were no changes in the benefits offered by VSP.

DENTAL PLAN BENEFITS

11. The Health Service System will continue to offer three dental plans to members: an indemnity plan administered by Delta Dental and two prepaid plans, PMI and Pacific Union. The City pays the full cost of Dental benefits for active employees. The Health Service System, effective July 1, 2001, no longer offers dental coverage to the Community College and San Francisco Unified School District because these employees are offered dental coverage through their respective employers.

According to Ms. Hudson, as of March 1, 2002, 28,773 active employees were enrolled in City dental plans and 6,518 retirees were enrolled in dental plans.

12. The Delta Dental Plan for active employees is self-insured and Towers Perrin's evaluation of claim experience determined that no change should be made in the rates used by the City to fund the plan. In addition, Delta Dental requested no change in the rates for the insured plan for retirees. PMI requested no change in active employees and retirees rates. Pacific Union requested no change in active employees and retirees rates.

13. While retirees may choose from the same three dental plans, the benefits and rates differ from those for active employees.

14. A comparison of the FY 2001-2002 and FY 2002-2003 monthly premium rate schedules for employer contributions of the three dental plans is shown below in Table 3, and indicates that there would be no changes in dental plan rates:

Table 3
Monthly Dental Plan Rates to be Paid by the City for Active City Employees FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Employee	$55.26	$55.26	$0.00	0.0%
Employee plus one dependent	90.80	90.80	0.00	0.0%
Employee plus two dependents	136.51	136.51	0.00	0.0%
PMI				
Single Employee	22.17	22.17	0.00	0.0%
Employee plus one dependent	36.58	36.58	0.00	0.0%
Employee plus two dependents	54.09	54.09	0.00	0.0%
Pacific Union				
Single Employee	25.71	25.71	0.00	0.0%
Employee plus one dependent	42.44	42.44	0.00	0.0%
Employee plus two dependents	62.76	62.76	0.00	0.0%

15. A comparison of the monthly premium rates to be paid by retired City employees for the FY 2001-2002 and FY 2002-2003 dental plans is shown below in Table 4, and reflects that there would be no changes in dental plan rates:

Table 4
Dental Plan Monthly Premiums to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Retiree	$33.76	$33.76	$0.00	0.0%
Retiree plus one dependent	67.60	67.60	0.00	0.0%
Retiree plus two dependents	102.11	102.11	0.00	0.0%
PMI				
Single Retiree	28.09	28.09	0.00	0.0%
Retiree plus one dependent	46.35	46.35	0.00	0.0%
Retiree plus two dependents	68.55	68.55	0.00	0.0%
Pacific Union				
Single Retiree	15.24	15.24	0.00	0.0%
Retiree plus one dependent	25.16	25.16	0.00	0.0%
Retiree plus two dependents	37.20	37.20	0.00	0.0%

Comments

1. Many of the City's MOUs include provisions whereby the City pays a portion of the employee's contribution for health and dental benefits. Such payments by the City are not reflected in the data provided by the Health Service System shown in the tables of this report. Ms. Donna Marchuk of the Department of Human Resources advises that the majority of City workers are covered by MOUs which provide in FY 2002-2003 that the full employee premium for single employees is paid by the City and up to 75 percent of the rate of the employee costs for Kaiser coverage for the employee plus two dependents is paid by the City. Ms. Hudson notes that 75 percent of the employee costs for Kaiser coverage for the employee plus two dependents was $278.96 in FY 2001-2002 (.75 x $371.95) and will be $325.42 in FY 2002-2003 (.75 x $433.89).

As a result, contrary to the data shown in Table 1, many of the City's MOUs provide that single employees enrolled under the City Health Plan paid nothing in FY 2001-2002 (instead of a rate of $104.86 per month) and would again pay nothing

under the proposed FY 2002-2003 rates (instead of the rate of $118.85 per month). Furthermore, many of the City's MOUs provided that employees with one dependent enrolled in the City Health Plan in FY 2001-2002 paid $49.76 per month (City Health Plan rate of $328.72 less the City paid benefit of $278.96) instead of $328.72 and would pay $156.97 per month (City Health Plan rate of $482.39 less the City paid benefit of $325.42) instead of $482.39 in FY 2002-2003.

Ms. Marchuk reports that, to date, two of the City's 46 MOUs remain to be renegotiated this year and each will be retroactive, covering the period of July 1, 2001 through June 30, 2003. Ms. Marchuk also notes that the Underrepresented Employees Ordinance remains to be renegotiated for FY 2002-2003. These MOUs and the Underrepresented Employees Ordinance will be subject to the approval of the Board of Supervisors.

2. The Towers Perrin report notes several actions intended to minimize the potential for errors in employee communications and in plan administration:

- All vendors were asked to provide their signed acceptance of the rates to be used by the Health Service System. These approvals have been obtained and are on file with the Health Service System staff.

- Towers Perrin is reviewing the contribution tables to be included in the open enrollment communications that will be provided to employees and retirees.

- Towers Perrin will be reviewing the rates entered into the Health Service System's Membership Accounting System (MAS) to ensure the accuracy of the data entered into the MIS, including health care plan costs, City contributions and employee contributions.

3. The Towers Perrin letter concludes that the actions taken by the Health Service Board in the areas of benefit design, rating and reserving are consistent with Towers Perrin's recommendations and conform to a reasonable actuarial standard of plan management. Mr. Michael Kramer of Towers Perrin advises that "reserving" means the calculation of the amount of money that the Health Services Trust Fund needs to maintain to cover its obligations for claims incurred but not yet paid and for anticipated fluctuations in claims.

4. In response to questions raised at the March 27, 2002 Finance Committee meeting, Ms. Yvonne Hudson, the Deputy Director of the Health Service System, has provided the attached memorandum. As noted on the Attachment, Ms. Hudson reports that the Health Service System Trust Fund balance as of June 30, 2001 is $34,768,366, which includes a $22.9 Trust Fund surplus and a $11.9 million reserve for any unanticipated fluctuations in claims. The total targeted Trust Fund Reserve, however, Ms. Hudson notes is $22.8 million, which includes (1) a $10.9 million reserve for anticipated dental claims against the Delta Dental Plan and

medical and pharmacy claims against the City Health Plan, also referred to as claims incurred but not reported (IBNR), and (2) the above-noted $11.9 million reserve for any unanticipated fluctuations in claims. Ms. Hudson advises that the total targeted Trust Fund Reserve is based on the experience of Towers Perrin with similar large, public and private single-employer trust funds throughout the nation and the City Charter's requirement that the Health Service System Fund carry sufficient resources to pay all City Health Plan claims. Ms. Hudson notes that there are few trust funds in other jurisdictions which are truly comparable with San Francisco's Health Service System Trust Fund because the City Charter prevents the Health Service System Fund from drawing on the General Fund to pay for claims incurred under the City Health Plan, in the event that the Trust Fund cannot meet its obligations. As a result, Ms. Hudson reports, the targeted Trust Fund Reserve (presently $22.8 million) of the Health Service System Trust Fund requires higher balances than the trust funds of other large single-employer trust funds.

Ms. Hudson notes that the Health Service System Trust Fund surplus has allowed the Health Service Board to increase the subsidy of the member rates for the City Health Plan from $1.5 million in FY 2001-2002 to $3.0 million in FY 2002-2003. For example, according to Ms. Hudson, for a single employee covered by the City Health Plan, the employee's contribution was reduced by $25.81 per month, from $144.66 per month (without such a subsidy) to the rate shown in Table 1 of $118.85 per month. As noted in the Attachment, the $3.0 million subsidy for the City Health Plan rates for FY 2002-2003 represents approximately 13 percent of the $22.9 million of the Trust Fund surplus. As further noted by Ms. Hudson in the Attachment, it is advisable to spread the Trust Fund surplus against Health Service System member rates over several years in order to reduce the impact of member contributions when the subsidy may no longer exist. Ms. Hudson reports that the Health Service Board favored providing a subsidy only for members enrolled in the City Health Plan and not for the three HMO medical plans, which are offered to employees by the City, because the Trust Fund is assuming all of the risks related to the City Health Plan, and the Trust Fund does not assume risks related to the HMO plans.

Ms. Hudson advises that the Health Service Board also voted to continue for FY 2002-2003 all of the same dental plan rates that existed during FY 2001-2002 and the application of a subsidy from the Trust Fund for such dental rates was not considered.

Ms. Hudson reports that the significant increase in member rates in some of the City's health plans being offered to members is due to the overall increase in medical and pharmacy costs coupled with the Health Service Board's decision to institute rate realignments for the City plan and the HMOs, which increased costs for both employees with dependents and retirees without Medicare, to more

accurately reflect the health care costs of active employees, employees with dependents and non-Medicare retirees. Furthermore, Ms. Hudson reports that the increase in rates for HMO coverage was due to the increased rates requested by the HMOs, which Towers Perrin determined to be justified. Ms. Hudson notes that the increased costs for retirees with Medicare were largely dictated by the formula for which HMOs are reimbursed by the U.S. Centers for Medicare and Medicaid Services. Ms. Hudson further advises that dental rates did not increase because Towers Perrin's evaluation of the most recent claim experience determined that no change should be made in the City's self-insured dental plan (Delta Dental) and neither PMI nor Pacific Union requested a change in the dental rates.

Recommendation

Approve the proposed ordinance.

HUMAN RESOURCES
CITY & COUNTY OF SAN FRANCISCO
Andrea R. Gourdine, Human Resources Director

April 2, 2002

TO: Harvey Rose, Budget Analyst
Board of Supervisors

FROM: Yvonne S. Hudson, Deputy Director
Health Service System

SUBJECT: **RESPONSES TO QUESTIONS REGARDING HEALTH PLAN RATES FROM MARCH 27, 2002 FINANCE COMMITTEE MEETING**

Following are answers to the seven questions asked by the Board of Supervisors Finance Committee during the March 27, 2002 meeting. The answers have been extracted from the more comprehensive document prepared by Towers Perrin dated April 2, 2002. The questions are followed by the page number(s) where more detail can be found.

1) **What is the balance in the Health Service System fund now? (page B-1)**

Based on final financial statements for June 30, 2001 and 2000, the net assets available for health benefits at June 30, 2001 are $34,768,366.

2) **What is the appropriate fund balance? (page B-2)**

The table below shows the development of the reserve for claims IBNR and the target reserve. The reserve for claims IBNR was based on the most recent information available from the City's claims administrators-HSS, Express Scripts and Delta Dental-regarding claims paid and incurred.

Table B-2
Development of Reserves as of June 30, 2001

	IBNR Reserve		Target Reserve	
	Months	Dollars*	Months	Dollars*
City Plan 1 Medical	3.3	$7.7	6.0	$13.5
City Plan 1 Pharmacy	0.5	0.4	2.0	1.6
Delta Dental	1.4	2.8	4.0	7.7
Total		$10.9		$22.8

*All dollar amounts are shown in millions

3) **Can proposed member rate increases be reduced by using some of the Health Service System's fund balance? (page B-1)**

The Health Service Board voted to apply $3 million, or 13%, of the $22.9 million trust fund surplus (balance after reserves) to subsidize City Plan 1 rates for the 2002-03 plan year. We note that a subsidy of $1.5 million is currently in place for the 2001-02 plan year. These subsidy amounts were chosen for the following reasons:

- This portion of the surplus could safely be attributed to the operation of City Plan 1.
- Conservatism is dictated because of the trust fund's limited ability to raise money in the event of a shortfall in revenue.
- It is advisable to spread over several years the application of trust fund surplus against rates to reduce the impact on members' contributions when the subsidy terminates.

4) **What are the reasons for the significant increased rates in a) the monthly health plan rates to be paid by active city employees (Table 1 in my report) and b) monthly health plan rates to be paid by retired city employees (Table 2 in my report)? (pages 1-11; A-1-A-5)**

City Plan 1

Claim experience adjusted for the changes in benefits and enrollment that occurred effective July 1, 2000, dictated a 36.0% increase in the medical component of Plan 1 and a 28.3% increase in the pharmacy component. Medical and pharmacy costs, together, resulted in the following changes:

- A 34.2% increase in combined medical and pharmacy costs for active employees
- A 31.8% increase for non-Medicare retirees.
- A 37.2% increase for Medicare retirees.

The following change was made in Plan 1 benefits:

- Coverage for hearing aids was increased to $2,500 maximum benefit during any three-year period. Hearing aids were previously subject to a $1,000 maximum.

Current rates for adult dependents, of both employees and non-Medicare retirees, are understated. For the 2002-'03 plan year, the Health Service Board approved realignment of these dependent rate tiers so that the rates will more accurately reflect the cost of these members.

Contributions (the members' out-of-pocket payments) for Plan 1 members-employees and retirees-were determined as dictated by the City Charter. Employees and retirees covered under Plan 1, include the effect of rate changes, plan changes, rate tier

realignment, negotiated City contributions, the amount determined under the 10-County survey, and trust fund subsidy.

HMOs

Three HMOs are offered to HSS members: Health Net, Kaiser and Blue Shield. The HMOs submitted the following renewal requests:

- Blue Shield initially requested a 26% increase for active employees, which was subsequently reduced to 16.6% after negotiations.

- Health Net initially requested a 35% increase for employees and non-Medicare retirees, which was subsequently reduced to 31.5% after negotiations. Health Net increased rates for Medicare retirees by 58.2%.

- Kaiser requested a 22.9% increase for employees and an 89.8% increase for Medicare retirees.

We determined these requests (after negotiation) to be justified according to the data supplied by the HMOs. We also found them to be consistent with renewals for other similarly situated employers. The increases for Medicare retirees, while extremely unfavorable, are dictated largely by the formula by which HMOs are reimbursed for Medicare members by the Centers for Medicare and Medicaid Services (CMS, formerly "HCFA").

The following changes were also made to the plans:

- **Rate Tier Realignment** – previously, Health Net and Kaiser applied uniform rates to employees and non-Medicare retirees, resulting in overstated rates for active employees and understated rates for non-Medicare retirees. For the 2002-'03 plan year, the Health Service Board decided to separate these rates so that they more accurately reflect the cost of benefits for these two groups of members.

- **Extending Blue Shield Coverage to Retirees** – The Health Service Board voted to offer Blue Shield coverage to retirees for the 2002-'03 plan year. This change was made to increase the options available to retirees.

- **Replacing Health Net "Seniority Plus" with Medicare Supplement** – Cost increases and service area reductions had reduced the attractiveness of Health Net's "Seniority Plus" plan for retirees with Medicare. The Health Service Board therefore voted to replace this plan with a Health Net Medicare Supplement Plan, which will provide the same benefits at a slightly lower cost but using a broader network.

Member contributions are derived from these rates by subtracting the 10-County amount and any applicable negotiated subsidies.

5) **Why are there no rate increases in dental rates? (page 8)**

Three dental plans are offered to HSS members: an indemnity plan administered by Delta Dental and two prepaid plans: PMI and Pacific Union. The City pays the cost of dental benefits for employees, while retirees pay the full cost of their dental plans.

The rate process for the dental plans is similar to that described above in connection with the medical plans, except for the determination of member contributions.

The Delta Dental plan for active employees is self-insured, and our evaluation of the most recent claim experience available determined that no change should be made in the rates used by the City to fund the plan.

The City's per-employee contribution for dental benefits is based on the average cost of coverage for all employees. Since all dental plan rates will remain unchanged for 2002-03, the City's contribution for 2002-03 will remain $92.77 per employee per month.

6) **What is the comparable amount of the Health Service System fund balance at other jurisdictions? (page B-2)**

The target reserve was based on Towers Perrin's experience with similar trust funds; however, it should be noted that most single-employer trust funds, even those of public agencies, are not comparable to the Health Service trust fund for this purpose. The inability of the Health Service trust fund to draw upon the general resources of the City in the event of financial need requires conservatism in reserving beyond that typically required by other employers' trust funds. The most comparable trusts are therefore those maintained by multiple employers together, often pursuant to collective bargaining, or by associations. These typically target reserves of between 130% and 200% of IBNR.

7) **It is Supervisor Peskin's understanding that the balance now is $34 million and the last year was $18 million. How did last year's fund balance of $18 million and this year's fund balance of $34 million impact the proposed member rates? (page B-1)**

Please refer to the answer in question #3.

Item 3 - File 02-0192

Department: Human Services

Item: Ordinance appropriating $47,000 from the General Fund Reserve to the Department of Human Services for Fiscal Year 2001-2002 to expand an existing contract with the Homeless Prenatal Program, a non-profit organization that provides housing placement services to homeless families and children, including pregnant and post-partum women.

Amount: $47,000

Source of Funds: General Fund Reserve

Description: The proposed supplemental appropriation would provide $47,000 to the Department of Human Services (DHS) to expand an existing contract with the Homeless Prenatal Program, a non-profit organization that provides street-based outreach services to homeless families, including pregnant and post-partum women. According to Ms. Cindy Ward of DHS, such services include assistance in finding permanent housing, as well as continuing case management to help clients maintain housing. The proposed supplemental appropriation would allocate an additional $47,000 to the Homeless Prenatal Program agency to provide eligible homeless families with rental assistance grants to help pay for move-in costs such as security deposits and furniture. Ms. Ward advises that participants receive, on average, $800 to $1,200 per family. The Homeless Prenatal Program selects participants who are "housing ready," or demonstrate an ability to pay rent and maintain the housing.

Ms. Ward advises that DHS first selected the non-profit organization, Homeless Prenatal Program, in January of 1998 on a sole-source basis because, according to Ms. Ward, the Homeless Prenatal Program is the only organization in San Francisco that provides street-based outreach for homeless families and children combined with the rental assistance grant program discussed above. The current two-year contract from July 1, 2000 to June 30, 2002 between DHS and the Homeless Prenatal

Program in the amount of $772,444 for the two-year contract term includes $374,472 for Fiscal Year 2000-2001 and $397,972 for Fiscal Year 2001-2002, as shown in Attachment I, provided by DHS. The entire Fiscal Year 2000-2001 contract amount of $374,472 was funded from General Fund monies. Of the total Fiscal Year 2001-2002 contract amount of $397,972, $264,972 was funded from General Fund monies and $133,000 was funded from Proposition 10 State funds[1].

During the first year of the two-year contract with the Homeless Prenatal Program agency, or Fiscal Year 2000-2001, the $374,472 contract originally included $75,000 in General Fund monies to provide rental assistance grants to families and children, according to Ms. Ward (included in Operating Expenses in Attachment I). As explained in the attached memorandum from DHS (Attachment II), DHS provided an additional $32,500 for rental assistance grants in January of 2001 from savings in the DHS budget from other contracts. The budget for rental assistance grants was increased again in May of 2001 with a supplemental appropriation of $60,000 from the General Fund Reserve (File 01-0618), for a total amount of $167,500 in General Fund monies for rental assistance grants during Fiscal Year 2000-2001. During the second year of the two-year contract, Fiscal Year 2001-2002, the $397,972 contract included $183,000 for rental assistance grants, consisting of $50,000 in General Fund monies and $133,000 in State monies. The $183,000 budgeted for rental assistance grants in Fiscal Year 2001-2002 is $15,500 or 9.3 percent more than the $167,500 budgeted for rental assistance grants in Fiscal Year 2000-2001.

Ms. Ward reports that for Fiscal Year 2001-2002, the Homeless Prenatal Program agency has expended a total of $138,962 at an average of $23,160 per month for six months, having provided 150 families with rental

[1] Proposition 10 established the San Francisco Children and Families First Trust Fund. This Trust Fund receives its funding from revenues collected from a $0.50 per pack State surtax on cigarettes and a $0.50 per pack State surtax on tobacco products. Such Trust Funds are to be expended on programs that promote, support and improve the early development of children from the prenatal state up to five years of age. Therefore, when applied to the subject rental assistance grant program, Proposition 10 funds can only be used to provide rental assistance grants to families with children up to the age of five.

assistance grants averaging $926 each from July 1, 2001 through December 31, 2001. Ms. Ward advises that the Homeless Prenatal Program agency has expended the Fiscal Year 2001-2002 allocation more quickly than has been planned due to increasing housing costs and because the non-profit organization was able to assist 150 families or 70 families more than the 80 families it had anticipated assisting. According to Ms. Ward, during the six-month period of January 1, 2002 to June 30, 2002, the Homeless Prenatal Program agency anticipates that it will expend $91,038 on rental assistance grants, including (a) $44,038 in previously allocated contract funds ($183,000 budgeted less $138,962 expended during the first six months) and (b) this subject requested $47,000 supplemental appropriation, or an average of $15,173 per month ($91,038 divided by 6). Ms. Ward reports that the $91,038 allocated to the Homeless Prenatal Program would result in providing approximately 98 families with rental assistance grants at an average grant of $929 over the second six months of Fiscal Year 2001-2002.

Ms. Ward states that although there is a need to serve an estimated 150 families during the last six months of Fiscal Year 2001-2002 at an estimated cost of approximately $139,000, as was provided for during the first six months of Fiscal Year 2001-2002, a policy decision was made by the Director of the Homeless Prenatal Program to spend a maximum of $91,038 in the last six months, thereby resulting in this subject request of $47,000 which would be added to $44,038 in unspent rental assistance grant funds, for a total of $91,038 during the balance of Fiscal Year 2001-2002. According to Ms. Martha Ryan, Director of the Homeless Prenatal Program, the requested $47,000 supplemental appropriation would provide a sufficient level of funding to serve the eligible homeless families during this period. According to Ms. Ward, if the average grant need is lower than $929, then the Homeless Prenatal Program would be able to serve more families. Ms. Ward advises that the entire requested $47,000 would only fund rental assistance grants and would not be used to fund any salaries or overhead costs.

BOARD OF SUPERVISORS
BUDGET ANALYST

Comments:

1. According to Ms. Ward, DHS intends to enter into a new contract in the amount of $401,327 in Fiscal Year 2002-2003 with the Homeless Prenatal Program agency. According to Ms. Ward, DHS plans to allocate $183,000 of the $401,327 contract for rental assistance grants in Fiscal Year 2002-2003, the same amount as originally allocated in Fiscal Year 2001-2002. This would result in $47,000 less being expended in such rental assistance grants in Fiscal Year 2002-2003 when compared to Fiscal Year 2001-2002 after considering this subject request of $47,000. As previously noted, of the $183,000 allocation in Fiscal Year 2001-2002 prior to this request of $47,000, only $50,000 was from the General Fund. According to Ms. Ward, a similar General Fund allocation of $50,000 would be made in Fiscal Year 2002-2003, with the balance of $133,000 ($183,000 less $50,000) being funded by the State. Ms. Ward states that DHS does not intend to request any additional supplemental appropriations from the General Fund for this rental assistance program for homeless families in Fiscal Year 2002-2003 beyond the initial Fiscal Year 2002-2003 General Fund allocation of $50,000.

The following table shows the rental assistance grant amount and the total contract amount allocated for the Homeless Prenatal Program agency in Fiscal Years 2000-2001, 2001-2002 and 2002-2003:

	Fiscal Year 2000-2001	Fiscal Year 2001-2002	Fiscal Year 2002-2003
Rental Assistance Grants	$167,500*	$230,000**	$183,000***
Total Contract	**$374,472**	**$444,972********	**$401,327**

* 100 percent General Fund
** $97,000 General Fund including this subject request of $47,000 and $133,000 State funds
*** $50,000 General Fund and $133,000 State funds
**** Includes the proposed $47,000 supplemental appropriation plus the original allocation of $397,972

2. As shown in the table above, if the proposed supplemental appropriation is approved by the Board of Supervisors, then the Homeless Prenatal Program would receive a total of $230,000, including $97,000 in General Fund monies and $133,000 in State monies, during Fiscal Year 2001-2002 for rental assistance grants, an increase of $62,500 or approximately 37.3 percent over the

$167,500 in General Fund monies appropriated for rental assistance grants in Fiscal Year 2000-2001. Also, as shown in the table above, $183,000, including $50,000 in General Fund monies and $133,000 in State monies, would be requested for such rental assistance grants in Fiscal Year 2002-2003. Therefore, the Budget Analyst notes that $47,000 less will be budgeted for the rental assistance grants in Fiscal Year 2002-2003 ($183,000) as compared to Fiscal Year 2001-2002 ($230,000).

Recommendation: Given the annual fluctuations in the General Fund allocations for rental assistance grants provided to homeless families, the Budget Analyst considers approval of the proposed supplemental appropriation to be a policy decision for the Board of Supervisors.

	A	B	C	D	F	G	H	I	J	K	L	M	N
1										Appendix B, Page 3			
2										Document Date: 6/7/2001, 2000			
3													
4	Program Name:	Housing Assistance											
5	(Same as Line 9 on DHS #1)												
6													
7						Operating Expense Detail							
8													
9													
10													
11								Mod			Mod		TOTAL
12	Expenditure Category			TERM		7/1/00-6/30/01		6/2001		7/1/01-6/30/02	Apr-02		7/1/00-6/30/02
13	Rental of Property					$12,000				$12,000			$24,000
14	Utilibes(Elec, Water, Gas, Phone, Scavenger)					$2,400				$2,400			$4,800
15	Office Supplies, Postage					$960				$960			$1,920
16	Building Maintenance Supplies and Repair												$0
17	Printing and Reproduction					$960				$960			$1,920
18	Insurance					$750				$750			$1,500
19	Staff Training					$1,500				$1,500			$3,000
20	Staff Travel-(Local & Out of Town)					$960				$960			$1,920
21	Rental of Equipment												$0
22	CONSULTANT/SUBCONTRACTOR DESCRIPTIVE TITLE												
23													$0
24													$0
25													$0
26													$0
27													$0
28	OTHER												
29	Support Services to Clients - Transportation					$2,750				$2,750			$5,500
30	Emergency Housing					$14,500				$4,500			$19,000
31	Emergency food					$2,750				$2,750			$5,500
32	Rental Assistance					$75,000		$92,500		$183,000	$47,000		$397,500
33	Community Health Worker Stipend					$5,400				$5,400			$10,800
34	Client credit checks					$1,000				$1,000			$2,000
35	Modification Addition 7/1/2000					$7,000							$7,000
36													
37													
38	TOTAL OPERATING EXPENSE					$127,930		$92,500		$218,930	$47,000		$486,360
39													
40	DHS #3												2/1/2000

	A	C	D	E	F	G	H	I	J	K	L	M
1								Appendix B, Page 1				
2								Document Date: 8/7/2001				
3	DEPARTMENT OF HUMAN SERVICES CONTRACT BUDGET SUMMARY											
4												
5	Contractor's Name							Contract Term, 7/1/00-6/30/02				
6	Homeless Prenatal Program											
7	(Check One) New ___ Renewal ☐ Modification _X_											
8	If modification, Effective Date of Mod. No. of Mod											
9	Program: Housing Assistance											
10	Budget Reference Page No (s)											
11	Program Term	7/1/00-6/30/01	Wage Adjustment Mod 7/1/2000	Operations Mod one time 7/2000	Rental Assistance Mod 5/1/01	Rental Assistance Mod 8/2001	Total 7/1/00-6/30/01	7/1/01-6/30/02	Wage Adjustment Mod 7/1/2000	SupplementalMod 4/2002	Total 7/1/01-6/30/02	Total 7/1/00-6/30/02
12	Expenditures											
13	Salaries & Benefits	$137,741	$5,041				$142,782	$182,741	$5,041		$107,782	$310,564
14	Operating Expense	$110,930	$7,000	$10,000	$32,500	$80,000	$220,430	$218,930		$47,000	$265,930	$488,360
15	Capital Expenditure	$1,600					$1,600	$1,600			$1,600	$3,200
16	Subtotal	$250,271	$12,041	$10,000			$364,812	$383,271	$5,041		$435,312	$800,124
17	Indirect Percentage	4%						4%				
18	Indirect Cost (Line 16 X Line 17)	$9,660					$9,660	$9,660			$9,660	$19,320
19	Total Expenditures	$259,931	$12,041	$10,000			$374,472	$392,931	$5,041		$444,972	$819,444
20	DHS Revenues											
21	General Fund	$259,931	$12,041	$10,000			$374,472	$392,931	$5,041		$444,972	$819,444
22												
23												
24												
25												
26												
27												
28												
29	TOTAL DHS REVENUES	$259,931	$12,041	$10,000			$374,472	$392,931	$5,041	$47,000	$144,972	$819,444
30	Other Revenues											
31												
32												
33												
34												
35												
36	Total Revenues											
37	Full Time Equivalent (FTE)											
39	Prepared by Martha Ryan	Telephone No.: (415) 546-6758 X20										Date 6/7/2000
40	DHS-CO Review Signature											

Note: Original Fiscal Year 2001-2002 contract amount equals $397,972, or $392,931 plus $5,041 in wage adjustments.

Appendix B, Page 2
Document Date: 6/7/2001

Program Name Homeless Prenatal Program
(Same as Line 9 on DHS #1)

Salaries & Benefits Detail

	A	D	E	F	G	H	I	J	K	L	M	N	O	P
11	TERM	7/1/00-6/30/01		Wage Adjustment 7/2000		Total 7/1/00-6/30/01		7/1/01-6/30/02		Wage Adjustment 7/2000		Total 7/01/01-6/30/02		7/1/00-6/30/02
12	POSITION TITLE	FTE	SALARIES			FTE	SALARIES	FTE	SALARIES			FTE	SALARIES	TOTAL
13	Housing Program Coordinator	0.75	$32,281				$32,281	0.75	$32,281				$32,281	$64,562
14	Housing Specialist	2.00	$55,000				$55,000	2.00	$55,000				$55,000	$110,000
15	AfterCare Case Manager	1.00	$27,500				$27,500	1.00	$27,500				$27,500	$55,000
22	AfterCare/Data Specialist							0	$25,000				$25,000	$50,000
23														
24														
25														
26														
27														
28														
29														
30	TOTALS		$114,781		$4,098		$114,781		$139,781		$4,098		$114,781	$279,562
31														
32														
33	EMPLOYEE FRINGE BENEFITS	0.20	$22,960		$943		$23,903	0.20	$22,960		$943		$23,903	$47,806
34														
35														
36	TOTAL SALARIES & BENEFITS		$137,741		$5,041		$142,782		$162,741		$5,041		$142,782	$335,564
37	DHS #2													2/1/2000

ty and County of San Francisco

Department of Human Services

Trent Rhorer
Executive Director

Deputy Directors
Janice Anderson-Santos
Jim Buick
Sally Kipper

Anna LaForte
Budget Analyst's Office
San Francisco Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Ms. LaForte:

Please accept this letter in response to your request for information regarding the appropriation of additional funds requested by the Homeless Prenatal Program (HPP).

DHS has contracted with HPP to provide housing search and move-in assistance to low-income and shelter families since January of 1998. In fiscal year 2000-2001, HPP received a budget of $75,000 to provide move-in grants. HPP spent all of these funds by December 2000. In order to meet the need for move-in grants, DHS provided an additional $32,500 to HPP in January 2001. In March 2001 HPP requested a supplemental allocation from the Board of Supervisors, and through this process received an additional $60,000 for move-in grants for FY 2000-2001. Therefore, the total budget provided to HPP for move-in grants in FY00-01 was $167,500.

In FY 2001-2002, DHS provided a total of $183,000 to HPP through a combination of Proposition 10 funds from the SF Children & Families Commission and General Funds. DHS also worked with the program to establish controls in order to keep funding available throughout the contract period. Part of this plan was to reallocate $25,000 of the $75,000 budgeted for move-in grants to a part-time staff person who would oversee distribution and reporting of the funds expended for move-in grants. This became effective as of FY 2001-2002.

HPP now provides DHS with detailed information regarding direct assistance to clients on a monthly basis for invoicing purposes, including check numbers, recipient of check, amount of check, and which funding stream was used (Proposition 10 funds can only be used for families with children under the age of five.) HPP also submits quarterly reports on achievement of their service and outcome objectives. These reports include the number of families served, amount of funds expended, and a list of all clients receiving direct assistance and the amount they received.

1) 557-5000 P.O. Box 7988 San Francisco, California 94120

In order to be eligible for assistance, clients must provide documentation of and HPP must verify all information regarding the potential housing situation, including copy of lease/rental agreement, landlord tax ID/proof of ownership, payment plan/receipt letter from landlord, client income verification, ID, social security number, and credit report.

Even with the additional funds provided to HPP during this fiscal year and with the controls on spending that have been added to the HPP contract, HPP reports that they are facing a critical shortage of funds for move-in grants. In the first two quarters of this fiscal year, HPP assisted 150 families with move-in grants, and spent $99,181 in Prop 10 funds and $39,781 in GF dollars. HPP reports having to turn clients away every month. Based on funds remaining, additional clients will have to be turned away if additional funds are not provided. The additional $47,000 requested by HPP for the current fiscal year would increase their total budget to $230,000 for move-in grants and would increase the number of families assisted overall by 50-60 families.

DHS plans to renew the contract with HPP for an additional two years, beginning 7/1/02. The budget proposed by the DHS Commission in their FY02-03 budget request includes $183,000 for move-in grants through the HPP contract which is the same level of funding provided for move-in grants by DHS through the HPP contract in the current fiscal year.

Please feel free to contact me at 558-2847 if you need further information.

Cindy Ward
Homeless Family Programs Manager
SF DHS

cc:
Phil Arnold, DHS
David Curto, DHS
Maggie Donahue, DHS
Martha Ryan, HPP

tem 4 - File 02-0410

lote: This item was continued by the Finance Committee at its meeting of March 27, 2001.

epartment: Municipal Transportation Agency (Muni)

tem: Resolution authorizing a leveraged lease-leaseback transaction of up to 118 Muni light rail vehicles. The proposed resolution approves a variety of agreements required to execute the proposed transaction. The proposed resolution further:

(1) approves the indemnification of various parties
(2) acknowledges the waiver of the City's right to a jury trial under certain circumstances
(3) acknowledges proposed waiver requirements pursuant to Sections 12B.5-1(d) and 12C.5-1(d) of the San Francisco Administrative Code with regard to certain agreements authorized by the proposed resolution
(4) approves and authorizes the execution and delivery of any document necessary to implement the proposed resolution
(5) ratifies and approves any action heretofore taken in connection with the transaction contemplated by the proposed resolution; and related matters.

escription: The proposed resolution authorizes Muni to conduct a leveraged lease-leaseback transaction of up to 118 of its Breda light rail vehicles. The Breda vehicles are currently in service on Muni Lines J, K, L, M, and N. The purpose of the proposed transaction is to provide one-time revenue to the City (Muni), estimated by Muni to be approximately $33 million. (See Comment No. 3.)

The purpose of the proposed transaction is to leverage an asset that Muni already owns to generate one-time revenue of approximately $33 million. To do this, Muni would transfer the "tax ownership" of up to 118 of its Breda Light Rail Vehicles to a group of private investors consisting of CIBC Capital Corporation, Comerica Leasing Corporation, Wells Fargo Bank Minnesota, N.A. Australia and New Zealand Banking Group Limited. For purposes of the proposed transaction, this group of private investors is collectively known as the Equity Investors. Such a transfer would allow the private investors to depreciate the vehicles and deduct transaction-related expenses on their Federal income tax return and thereby

defer payment of Federal income taxes. In exchange for this benefit, the Equity Investors would pay Muni a one-time cash payment of approximately $33 million.

Through the proposed transaction, Muni would lease up to 118 Breda LRVs that it currently owns to a Trust established by the Equity Investors (CIBC World Markets, Comerica, Wells Fargo, and ANZ). As explained in Attachment IV, six trusts would actually be formed. For the purpose of simplicity, this report refers to a single Equity Investors' Trust. The Trust would pre-pay Muni a lump sum representing the present value of the lease payments over the life of the lease, under the Head Lease agreement (with Muni as Lessor and the Trust as Lessee). The lump-sum payment would total $388.1 million and consist of approximately $102.6 million in an equity contribution to the Trust by the Equity Investors and a loan from a private Lender (FSA Global Funding Limited) to the Trust of approximately $285.5 million. The Trust would, in turn, sublease the vehicles back to Muni.

Muni would deposit $355.1 million into two separate escrow accounts. One such account would be to repay the $285.5 million portion of the lump-sum payment received from the loan to the Equity Investors. The other escrow account would be $69.6 million to repay the equity portion of the lump-sum payment. The $69.6 million, combined with interest earnings, would provide sufficient monies to repay the $102.6 million equity contribution by the Equity Investors. The $33 million difference between the $388.1 million lump-sum payment to Muni and the $355.1 million that Muni would deposit in escrow accounts results in the net one-time revenue gain to Muni. As stated previously, the actual one-time revenue benefit to Muni may be more or less than $33 million, depending upon interest rates on the closing date of the transaction. The monies in escrow would fund the 27 annual sublease payments and the purchase option to be made by Muni to the Trust (see Comment No. 15).

Ms. Harrington advises that the equity portion would be invested in Refcos or other U.S. government full faith and credit-backed obligations. Ms. Harrington advises that

Refcos are securities issued by the Federal Resolution Trust Corporation. The loan contribution would be placed with a Debt Payment Undertaker, Premier International Funding Co., under a payment agreement, guaranteed by Financial Security Assurance (FSA).

The equity escrow deposit and its related interest earnings, combined with the loan portion escrow deposit, would fund the sublease payments that Muni would be required to make to the Trust established by the Equity Investors, over the 25 to 27-year term (depending upon the age of the vehicle being leased) of the sublease. Thus, the payment obligations over the life of the sublease would be "economically defeased."[1] (See Comment No. 7(e). Ms. Harrington advises that Muni's external auditors have advised Muni that the annual sublease payments would not have to be appropriated through Muni's annual operating budget.

The Equity Investors could then depreciate the assets for Federal income tax purposes and thus defer payment of Federal income taxes. The Equity Investors would also be able to defer payment of Federal income taxes by deducting the interest expense associated with the loan portion of the lump-sum payment to Muni as well as transaction-related expenses. Ms. Harrington advises that the total estimated tax benefits to the Equity Investors has not been disclosed to Muni but that an 8 percent rate of return is the benchmark rate for this type of transaction. Based on the amount of the $388.1 million lump-sum payment to Muni and an 8 percent rate of return, the Equity Investors would realize approximately $31 million in tax benefits.

Since "tax ownership" of the up to 118 Breda LRVs, but not actual ownership, would be transferred to the Equity Investors, Muni would be required to maintain and repair

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Defease- to place the proceeds from the lump sum payment in an irrevocable trust and invest it in U.S. Treasury :curities or U.S. Agency securities backed by the full faith and credit of the U.S. government. The proceeds ıvested, and the related interest earnings, would fund the required sublease payments and the purchase option. hus, the City's payment obligation would be "economically defeased." It would not, however, be legally defeased :cause the City would remain responsible for making the sublease payments over the life of the sublease.

the subject vehicles. Attachment IV describes such maintenance and repair obligations in detail. Attachments III and IV, provided by Muni, also include additional detail regarding the proposed transaction.

In response to the request of the Budget Analyst, the following documents were submitted by Muni and are included as Attachments to the Budget Analyst report:

Attachment I- Muni's Estimated Transaction Expenses
Attachment II- Muni's Estimated "Broken Deal Costs"
Attachment III- Memo from Muni to the Finance Committee providing an overview of the proposed transaction
Attachment IV- Memo from Muni to the Finance Committee providing a detailed explanation of the transaction
Attachment V- Memo from Muni to the Finance Committee regarding Muni's proposed uses of the anticipated one-time revenue
Attachment VI- Attachment from Muni showing the termination value payable by Muni to Strip Surety Policy Provider(s) if the proposed transaction terminates at any point in time over the life of the transaction
Attachment VII- Table from Muni showing other transit jurisdictions that have completed transactions similar to the one proposed
Attachment VIII- Memo from Muni to the Finance Committee detailing the bid processes used to select the Equity Investors and the Lender/Surety Provider and Payment Undertaker
Attachment IX- Letters from the Federal Transit Administration (FTA) to Muni approving the proposed transaction

Comments:

1. Ms. Harrington advises that the City, rather than Muni, would be the signatory to the proposed transaction. However, she further advises that Muni intends to bear the financial risks (see Comment No. 7) of the transaction, barring catastrophic events since Muni would receive the financial benefits of the transaction (the one-time revenue). Ms. Harrington explains that Strip Surety Policy is similar to "gap" insurance coverage and it

protects the Equity Investors should the transaction terminate early and the funds in escrow are insufficient to repay the Equity Investors the amount they are owed. Ms. Harrington further explains that if a Strip Surety Policy provider is required to repay the Equity Investors, the Strip Surety Policy provider could then seek reimbursement from the City through a legal claim against the City.

2. Ms. Harrington advises that while the original intent of the proposed transaction was to provide funds for safety and security-related capital projects, Muni now anticipates that up to approximately $15.9 million of the anticipated $33 million in one-time revenue may be used to cover anticipated shortfalls and mandatory expenditure increases in Muni's FY 2001-2002 current operating budget and the FY 2002-2003 operating budget. As stated on page 2 of Attachment V provided by Muni, Muni anticipates a revenue shortfall of approximately $17 million in FY 2001-2002. In FY 2002-2003, Muni anticipates a revenue shortfall of approximately $23.5 million as well as mandated expenditure increases of approximately $15.2 million, resulting in an anticipated budget gap of approximately $38.7 million. Attachment V explains how Muni anticipates using approximately $5 million of the proposed one-time revenue of $33 million to balance its FY 2001-2002 budget and approximately $10.9 million of the proposed one-time revenue of $33 million to balance its FY 2002-2003 budget. Ms. Harrington advises that the remaining approximately $17.1 million ($33 million less $5 million less $10.9 million) (or more if the projected budget shortfalls are less than anticipated) would be available to fund capital projects.

Ms. Harrington further advises that using a portion of the revenues from the proposed transaction would be consistent with the November 1999 Proposition E requirement that Muni seek alternative revenues to alleviate its reliance on the General Fund. Ms. Harrington advises that if the current recession is longer or more severe than anticipated, Muni would implement additional budgetary reduction measures in FY 2002-2003

or beyond. Ms. Harrington advises that Muni is currently developing such measures.

3. Ms. Harrington advises that the proposed transaction is highly sensitive to changes in interest rates for the types of securities in which the lump sum payment would be invested in either U.S. Treasury securities or U.S. Agency securities. Ms. Harrington further advises that Muni currently estimates that the one-time revenue will be $33 million. However, Ms. Harrington further advises that the actual one-time revenue will depend upon interest rates when the transaction closes (or is finalized). Ms. Harrington advises that Muni anticipates that this will occur by April 12, if this resolution is approved by the Board of Supervisors. Ms. Harrington explains that the estimate of $33 million assumes an interest rate of 5.80 percent for the equity portion of the lump-sum payment that is placed in escrow.

Mr. Murphy McCalley of McCalley Consulting, a financial advisor to Muni, explains that the relationship between changes in interest rates and changes in the one-time revenue which Muni would receive is that a 100 basis point[2] change in interest rates would have a 400 basis point impact to the one-time benefit in the same direction. This means, for example, that if the interest rates decrease 10 basis points or 0.10 percent from the assumed 5.80 percent to 5.70 percent, the one-time revenue would be 40 basis points or 0.40 percent less than the approximately $33 million if rates were 5.80 percent. This would mean that the one-time revenue would be $132,000 less than if the rates were 5.80 percent on the closing date rather than 5.70 percent. Likewise, if the rates are higher than 5.80 percent, Muni would receive more than the estimated $33 million. The interest rate in effect on the date of the closing would determine the amount of the one-time revenue that Muni receives. Until the closing date, the exact amount of one-time revenue that Muni would receive will not be known. The resolution states that the proposed transaction "shall generate a net present value benefit to the City of not less than 6 percent." Ms. Harrington advises that Muni's

[2] Basis point- the smallest measure used in quoting yields on bonds and notes. One basis point is 0.01% of yi
Thus, 100 basis points is 1%.

estimate of $33 million in one-time revenue is based upon an assumption of a net present value benefit of approximately 8.5% percent of the appraised value of up to 118 Breda LRVs of $388.1 million.

4. Ms. Monique Moyer of the Mayor's Office of Public Finance advises that she supports the proposed transaction as a way for Muni to raise a significant amount of cash by leveraging an asset that it already owns. She further notes that while the length of the transaction is quite long (the sublease term is 25 to 27 years, depending on the estimated useful life of a given vehicle), she believes it is acceptable because Muni is a perpetual entity. She advises that she believes the primary risk is of early termination (see Comment No. 7(a)(1) and Attachment IV). She further advises that the proposed transaction will constrain the Board of Supervisors ability to dispose of the Breda LRVs prior to the end of the sublease term.

Ms. Moyer further advises that while she believes the transaction has much more risk than the City is accustomed to taking, the Muni finance and legal team has carefully analyzed those risks and Muni is satisfied that such risks are reasonable. Ms. Moyer further advises that she has discussed the risks and proposed mitigation of those risks with Muni's staff and advisors as well as with the Controller. However, she advises that she has not reviewed the documentation for the transaction and thus, there could be other terms of which she is not aware. She further states that if proposed transaction terminates early, the cost to the City would be enormous. However, she adds, the likelihood of the transaction terminating early is extraordinarily remote and some of the circumstances under which it could terminate are within Muni's control. Some are not, however, she adds.

5. Ms. Harrington advises that if the Board of Supervisors or Muni wanted to replace the Breda LRVs before the end of the term of proposed transaction, it could do so but it would then have to maintain and store the leveraged

LRVs until the purchase option (see Comment No. 15) is exercised at the end of the sublease term. Ms. Harrington notes, though, that the fleet could be sub-subleased to another U.S. transit system before the end of the proposed sublease. Ms. Harrington advises that Muni would require the sub-subleasing transit agency to maintain and insure any vehicles, but Muni would retain the legal sublease obligations regarding maintenance and insurance in the event the sub-sublessee failed to meet those requirements. Ms. Harrington advises that the Santa Clara Valley Transit Authority is in the process of negotiating a sub-sublease of its obsolete equipment to another transit agency in order to avoid terminating its tax advantage lease.

Ms. Harrington further advises that aside from the Boeing fleet of light rail vehicles that were recently retired, Muni has historically retained vehicles for 30 years and therefore, the likelihood of replacing the LRVs before the end of the sublease term would be remote. Ms. Harrington explains that Muni experienced significant reliability problems with the Boeing fleet and such problems resulted in the retirement of the fleet after 20 rather than 30 years. Ms. Harrington advises that some of the LRVs in the Boeing fleet were sold and some were permanently retired. Ms. Harrington adds that any LRVs no longer useful to Muni go through the City's process for disposal of surplus property. Ms. Harrington adds that Muni's has no information that would lead it to believe that the Breda LRVs would last less than 30 years.

With regard to the possibility of replacement of the LRVs due to obsolescence, Ms. Harrington advises that although parts of Breda LRVs may become obsolete, the LRVs themselves will not. Ms. Harrington advises that it is standard practice in the industry to rebuild and continue to use the LRVs. Ms. Harrington adds that the proposed transaction would not prohibit Muni from rebuilding and continuing to use the LRVs in the future.

6. Ms. Harrington advises that the degree of total potential risk to the City would vary depending on upon the circumstance. She advises that the worst case

scenario would be an early termination due to a default by Muni. If that occurred, Muni (and thus the City) would be liable to pay the termination value, as explained below. Ms. Harrington advises that most of the termination value would be paid from the monies held in the debt payment and equity escrow accounts. Ms. Harrington explains that should sufficient funds not be available from those sources, the strip surety policies from FSA and/or ACE Guaranty Re, Inc. would pay the difference. However, those insurers could then seek recourse from Muni. With regard to the City's potential financial risks, Mr. Robert Bryan of the City Attorney's Office advises that based upon the structure of the proposed transaction, the City could not be forced to use General Fund monies to meet any such obligation.

As shown in Attachment VI, the termination value could be a maximum of approximately $125.7 million in December 2014. In December 2003, it would be approximately $71.1 million; in December 2024, it would be approximately $49.8 million. Attachment VI, provided by Muni, shows the scheduled termination values over the life of the proposed transaction.

7. Muni has identified the following financial risks associated with the proposed transaction as well as ways to mitigate such risks. Attachment IV addresses these risks, as well.

(a) Early Termination Risk-
This is the risk that the transaction would be terminated before the Purchase Option date of January 2028. As a result, Muni would be responsible for "termination payments" as well as the remaining sublease payments (the funds for which would be in the escrow accounts). As explained in Attachment IV, the most likely reasons for an early termination would be a default by Muni, obsolescence of the LRVs, or a catastrophic event which destroys the LRVs.

As stated previously, the source of funds to pay for an early termination would be the funds held in escrow, assuming such funds have earned sufficient interest to

cover such payments. If the required termination payment exceeds the investment principal plus interest earned to date, an insurance policy (Financial Security Assurance) would cover the difference. However, Ms. Harrington advises that Financial Security Assurance would have the right to then seek reimbursement from Muni.

Ms. Harrington advises that the most likely reasons for an early termination would be default by the City, obsolescence of the Breda vehicles, or destruction of a Breda vehicle, or requisition by a third party. Ms. Harrington advises that an example of requisition by a third party would be the unlikely possibility that some other governmental agency (State or Federal) might requisition the vehicles due to some type of emergency.

Proposed Mitigation of Early Termination Risk- According to Ms. Harrington, the early termination risks are mitigated by the fact that a portion of the funds to pay for the remaining sublease payments would be held in escrow and invested in low-risk direct obligations of the U.S. Government or investment securities secured by direct obligations of the U.S. government.

As stated previously, FSA and/or ACE Guaranty Re, Inc. Strip Surety Policies would be available if the defeased funds were insufficient. FSA and/or Ace Guaranty Re, Inc. could then seek reimbursement from Muni.

Further, Muni has obtained third-party insurance on the Breda fleet which would provide funds for an early termination due to reasons other than an earthquake, war, or terrorism. Ms. Harrington advises that Muni has committed to obtaining $200 million in insurance coverage with a $40 million deductible and may purchase additional insurance. Ms. Harrington advises that the $40 million value of the deductible amount is the estimated value of the 12 LRVs that would be held back from the transaction.

Ms. Harrington advises that the early termination risk is further mitigated by the fact that Muni can control many of the actions that could trigger a default (and thus an early termination), such as failure to properly maintain or insure the LRVs, failure to make sublease payments which is unlikely because funds held in the two escrow accounts are available for this purpose. Ms. Harrington notes that to date, none of the more than 30 similar transactions nationwide involving transit agencies have terminated early for any reason. Attachment VII, provided by Muni, lists other jurisdictions that have conducted leveraged lease-leaseback transactions.

(b) Breach of Contract Risk- This is the risk that the Equity Investors would not receive their Federal tax benefits related to the proposed transaction as a result of an action, or lack of action, by the City as required by the proposed transaction agreements. (While such actions or non-actions would be carried out by Muni, this section refers to "the City" because the City is the signatory to the proposed transaction.) Ms. Harrington advises that an example of how the City could breach the contract would be if the City misrepresents information about the Breda LRVs to the Equity Investors in the preparation for the transaction. Ms. Harrington advises that as long as the City and Muni do what they have agreed to do under the transaction's documents, such a risk would be minimized. Ms. Harrington advises that the Equity Investors would bear the risk that Federal tax law may change and they would not, as a result, be able to receive the tax benefit associated with depreciation of assets.

Proposed Mitigation of Breach of Contract Risk- Muni's Finance section will monitor whether the City is complying with such provisions.

(c) Tax Risk- Mr. McCalley advises that there are four components to tax risk, one of which is borne by the Equity Investors and three of which are borne by the City. Mr. McCalley advises that, as explained above, the Equity Investors would bear the risk that Federal

tax laws may change and they would no longer be able to reap the tax benefits of depreciating the transferred assets (the Breda LRVs). According to Mr. McCalley, the only circumstance under which the City could be held responsible for this would be if the tax benefits were lost because the City misrepresented information about the Breda vehicles.

Mr. McCalley advises, though, that the City would be responsible for three other tax risks. The proposed resolution would indemnify the Equity Investors for such risks. These include the risk that Sales Tax, Property Tax, or Withholding Tax could be imposed on the transaction. Sales tax risk refers to the possibility that transfer of LRVs to the Trust would be subject to State Sales Tax. Property Tax risk refers to the possibility the Assessor would impose Property Taxes on the transfer of the LRVs to the Trust. Withholding Tax risk refers to the possibility that a change in tax law would subject the proposed transaction to Withholding Tax, an event that Muni officials believe is highly unlikely.

<u>Proposed Mitigation of Tax Risk</u>- Sales Tax risk is mitigated by State legislation approved in October of 2001 that exempts lease-leaseback transactions executed before 2004 from State Sales Tax. Ms. Harrington advises that even if the exemption is not extended beyond 2004, the proposed transaction would not be affected. Property Tax risk is mitigated by a commitment Muni has received from the current Assessor, stating that she will not impose Property Taxes on the transaction. However, as explained in Attachment IV, this does not necessarily eliminate the risk that future Assessors may take a different position. Lastly, Muni believes that a change in Federal tax law that would result in making the transaction subject to Withholding Taxes is unlikely because such a change would, in effect, be retroactive and would adversely impact trillions of dollars of such transactions.

(d) Risk of Bankruptcy of either Trust or of Equity Investors- According to Mr. McCalley, this is the risk that the Equity Investors go bankrupt and the bankruptcy judge determines that the escrow accounts, holding the funds for the sublease payments, are part of bankruptcy assets.

Proposed Mitigation of Risk of Bankruptcy of Trust or Equity Investors- Mr. McCalley advises that this risk is mitigated by the use of a Special Purpose Trust (the "Trust") that is "bankruptcy-remote." He advises that bankruptcy attorneys have advised that this means the Trust could not be included in the bankruptcy assets.

(e) Credit Risk- The City's obligations to make the sublease payments would be economically defeased on the closing date of the transaction through the City's deposit in escrow of the loan and equity portions of the lump-sum payment paid to the Trust. However, the City would still be legally obligated to make the sublease payments. The risk, then, is the possibility that the sublease payments may not be made.

Proposed Mitigation of Credit Risk- The risk associated with the Debt Payment Undertaker (the loan portion of the lump-sum payment) would be mitigated in two ways: through insurance provided by an Aaa/AAA rated insurer and through the ability to replace the Debt Payment Undertaker or the insurer if the insurer's credit rating is downgraded. The risk associated with the equity investment portion would be mitigated by investing in low-risk, fixed-rate securities backed by the full faith and credit of the U.S. government.

(f) Operational Risks- Under the proposed transaction, Muni will be responsible for maintaining and repairing the Breda LRVs during the term of the sublease. If any LRV must be permanently removed from service, Muni would be responsible for compensating the Equity Investors for the LRV and corresponding loss of tax depreciation benefits.

Proposed Mitigation of Operational Risks- Muni would "hold back" 12 vehicles from the proposed transaction, for the purpose of substituting one of the 12 if one of the vehicles involved in the proposed transaction is permanently removed from service. If Muni were unable to provide a "holdback" vehicle as a replacement, insurance proceeds would compensate the Equity Investors instead. Ms. Harrington notes that Muni staff are aware of only one instance in the last 25 years when a Muni light rail vehicle was destroyed due to an accident.

8. Ms. Harrington advises that the Equity Investors, as well as the loan and guaranty surety providers, were selected through a competitive bid process. She advises that the firms offering the highest economic return to Muni were selected as the Equity Investors. Ms. Harrington further advises that the loan and guaranty surety providers were selected based on the lowest bid. An explanation of the bid process and a summary of the bids received is included in Attachment VIII, provided by Muni. Ms. Harrington advises that the group of investors consisting of CIBC Capital Corporation, Comerica Leasing Corporation, Wells Fargo Bank Minnesota, N.A. Australia and New Zealand Banking Group Limited submitted a bid that would provide the highest economic return to Muni, resulting in an estimated $33 million one-time revenue gain for Muni. Ms. Harrington advises that bids were submitted based on the percentage of vehicle market value that the Equity Investors would pay Muni, as described in Attachment VIII. Ms. Harrington notes that the economic benefit data included in Attachment VIII was based on the May 2000 estimate of the number of LRVs included in the proposed transaction. That number has since increased and therefore, the current estimate of the net economic benefit is higher than that shown in Attachment VIII. The next highest bid was submitted by Fleet Bank.

Ms. Harrington notes that since 1995, CIBC has been involved in more than 30 transactions similar to the proposed transaction and valued at more than $5 billion involving U.S. transit agencies. Ms. Harrington further

advises that Wells Fargo and Comerica, also have experience as Equity Investors in leveraged lease-leasebacks. Specifically, Ms. Harrington advises that Wells Fargo is an Equity Investor in such transactions with Los Angeles County MTA and Caltrans, as well as in Seattle. Ms. Harrington advises that Comerica is an Equity Investor in Los Angeles County MTA as well as with other transit agencies in Dallas and Seattle. Ms. Harrington also advises that FSA has served as surety provider for 30 such transaction and as Lender in more than 10 such transactions.

9. Assistant City Risk Manager Nancy Johnston-Bellard advises that she has reviewed all documents related to the proposed transaction. Based upon this review, she advises that she believes the City's risk related to the proposed transaction is well-managed. Ms. Johnston-Bellard advises that "well managed" means the City has taken appropriate action prior to entering into the proposed transaction to mitigate the risk that the City could be held responsible for the liability of one of the other parties and thus is responsible only for its own actions.

10. Ms. Harrington advises that Muni anticipates carrying out another leveraged lease-leaseback transaction that would close by the end of the first quarter of calendar year 2003. Ms. Harrington advises that transaction would involve an additional 21 LRVs in the Muni Breda LRV fleet. Muni estimates that such a future transaction would result in $5.9 million in one-time revenue to Muni, based on the assumptions surrounding the proposed current transaction. Such a subsequent transaction would also require Board of Supervisors approval at that time.

11. The proposed resolution would approve the key agreements related to the transaction (Participation Agreements, Head Lease Agreements, Head Lease Supplements, Sublease Agreements, Sublease Supplements, Payment Agreements, Equity Collateral Security Agreement, Custody Agreement, Support and Access Agreements, Agreements for Assignment on

Default, Tax Indemnification Agreements, Insurance and Indemnity Agreements) in "substantially the form presented to the Board." With regard to each of these documents, however, the proposed resolution further authorizes the Mayor or his designee, who, according to Ms. Harrington, would be the Director of the Municipal Transportation Agency (MTA) who is the same person as the General Manager of Muni, to execute such agreements and "make such modifications, changes, or additions to said documents as may be necessary or advisable provided that such modification, change, or addition does not extend the term of the sublease beyond thirty (30) years or provide for a net present value benefit to the City of less than 6% of the appraised value of the Rail Cars." Ms. Michelle Sexton of the City Attorney's Office advises that such language is similar to language typically included in legislation to approve bond issuances.

However, the Budget Analyst notes that the subject transaction is more complex, less routine, and exposes the City to more risk than a bond issuance. Therefore, the Budget Analyst recommends that such language be amended to further state that such changes, additions or modifications made by the Mayor or the Mayor's designee should not substantially alter the agreements as approved by the Board of Supervisors and that any substantive changes would require Board of Supervisors approval.

The proposed resolution also authorizes and directs "the proper officers of the City.....to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, including but not limited to those documents described in the Transaction Summary or the sublease and other documents herein approved...." The Budget Analyst recommends amending such language to state that such actions should not substantially alter the substance of the transaction as approved by the Board of Supervisors.

12. The proposed resolution states that the City "will waive its right to a jury trial in any suit, action, or proceeding arising as a result of a breach by the City of a

monetary obligation under any of the documents to which the City is a party and the Transaction." Ms. Sexton, of the City Attorney's Office, states that it is highly unusual for the City to waive its right to a jury trial. She notes, however, that such a waiver in this instance is limited solely to a "breach by the City of a monetary obligation under any of the documents to which the City is a party under the Transactions." She advises that Muni requested that such language be included in the proposed resolution because no other similar transactions (in other governmental jurisdictions) have been approved without such language. She advises that the concern of the Equity Investors is that the proposed transaction is too complicated for review by a jury. She further advises that the most likely breach by the City that would be governed by this provision would be the City's failure to make the required sublease payments to the Trust. However, she notes that it is highly unlikely the City would fail to make such payments because the City's obligation will have been economically defeased and thus funds held in escrow would be available for the regularly scheduled payments.

13. The proposed resolution includes a provision to waive the requirements of Sections 12B and 12C, the non-discrimination provisions of the San Francisco Administrative Code for any agreement authorized by the proposed resolution to which the City and any of the following are parties: (a) Lender (b) Strip Surety Provider (c) Equity Investor and (d) Debt Payment Undertaker (see Attachment III). Ms. Harrington advises that such waivers are necessary because the Equity Investors CIBC, Comerica, and ANZ are not in compliance with such nondiscrimination provisions. In addition, Strip Surety Policy Providers ACE Guaranty Re, Inc. and FSA are also not in compliance. Nor are Debt Payment Undertaker Premier International Funding Co. or the Lender FSA Global Funding Limited in compliance. Ms. Harrington advises that Wells Fargo and State Street Bank are in compliance with Section 12B.

14. Ms. Harrington advises that MTA Board of Directors approved the proposed transaction on November 20, 2001 through Resolution No. 01-115. Ms. Harrington advises

the Federal Transit Administration (FTA) approved the proposed transaction in January of 2002. Ms. Harrington advises that FTA approval is required because the light rail vehicles involved in the transaction were funded through a combination of FTA grants, State rail bond funds, and Proposition B capital grant funds. Ms. Harrington further advises, as stated on page 7 in Attachment IV, that the "FTA strongly supports the efforts of transit agencies to undertake 'innovative financing' initiatives" such as the proposed transaction. Attachment IX, provided by Muni, includes two letters from the FTA in support of the proposed transaction.

15. Ms. Harrington notes that Muni has the option to purchase the 118 LRVs at the end of the sublease term (purchase option) in approximately 27 years for $1,015,275,352. Ms. Harrington explains that at the start of the transaction, Muni would be defeasing the future sublease payments and the purchase option amounts by placing the $355.1 million into escrow. Ms. Harrington advises that the purchase option includes final loan payments on the loan portion as well as equity investment repayment, with interest over 27 years. Ms. Harrington advises that the funds placed in escrow will grow to the amount required to defease these obligations. Ms. Harrington advises that the purchase option will be automatically exercised unless Muni acts to choose not to exercise it.

16. Due to the uncertainty regarding the specific amount of the one-time revenue Muni will collect (currently estimated at $33 million) as a result of the proposed leveraged lease-leaseback (because of the potential for fluctuations in interest rates), and the complex nature of the transaction, the Budget Analyst recommends that the Board of Supervisors amend the proposed resolution to require Muni to report back to the Board of Supervisors after Muni has completed the proposed transaction. Such a report should include: (a) specific information on the actual amount of the one-time revenue received and how Muni plans to use such revenue and (b) information on any changes in the transaction since its approval by the Board of Supervisors.

17. Attachment VII, provided by Muni, lists other jurisdictions that have completed leveraged lease-leaseback transactions similar to the one proposed by Muni. Ms. Harrington notes that such California jurisdictions include: (a) the Southern California Regional Rail Authority (b) the Peninsula Corridor Joint Powers Board (c) Bay Area Rapid Transit (BART) (d) Los Angeles County Metropolitan Transit Authority and (e) State of California Caltrans among others as shown in Attachment VII. Ms. Harrington advises that Muni is not aware of any instance to date in which any such public transit agencies suffered an economic loss as a result of such a lease-leaseback transaction.

18. Ms. Harrington advises that expenses related to the proposed transaction to be paid by Muni are estimated to be $9,939,914 (the $33 million one-time revenue gain to Muni is net of transaction expenses of $9,939,914) and would include the costs of a surety guaranty premium, legal counsel for all parties, lender's fees, financial advisory services, appraisal fees and trustee costs.

19. Attachment II, provided by Muni, shows that Muni would have to pay to various legal firms, City departments, and other parties a projected $1,670,000 in "broken deal expenses" if the subject resolution is not approved by the Board of Supervisors and/or the Mayor. These expenses consist primarily of legal costs incurred by the various parties to the transaction including Muni. Ms. Harrington advises that it is a standard industry practice in this type of transaction for the transit agency to pay such legal costs on behalf of the other parties to the transaction.

20. In the professional judgment of the Budget Analyst, this "broken deal expense" provision is highly unusual and is not in the best interests of the City. In this situation, Muni is effectively advising the Board of Supervisors that if the Board of Supervisors does not approve the subject proposed resolution, Muni (see Attachment IV, page 11) will have to pay $1,670,000 in broken deal expenses, including $955,000 incurred by the

Equity Investors, FSA and the Trustee, as shown in Attachment II. The Budget Analyst would never recommend that such a provision be included in legislation submitted to the Board of Supervisors. Mr. Robert Bryan of the City Attorney's Office advises that as a legal matter, the MTA Board has the authority to enter into contracts to pay the broken deal expenses even if the transaction is not approved by the Board of Supervisors. Mr. Bryan advises that there are letter agreements signed by the MTA that the MTA could formalize in order to pay such expenses. However, the point that the Budget Analyst makes is that if the Board of Supervisors and the Mayor do not approve this proposed resolution, such disapprovals automatically require the Muni to pay broken deal expenses of $1,670,000.

21. Ms. Harrington provided a memorandum to the Finance Committee dated March 25, 2002 which contains additional information regarding the broken deal costs (see Attachment X). In this memorandum, Muni acknowledges that if the Board of Supervisors and/or the Mayor disapproves the proposed resolution, Muni is liable for the broken deal costs. In Attachment IV, Muni states that it "will" be liable for such costs. In Attachment X, Muni states it "could" be liable for such costs. Apparently, the word "could" is used because Muni states in Attachment X that: "Muni would attempt to negotiate a reduction in expenses for the broken deal costs with all of the parties involved. However, there is no guarantee that the amount finally owed would be less than the exposure we have identified."

22. Attachment XI, provided by Ms. Harrington, is the MTA letter agreement referenced in Comment No. 20. This letter agreement, signed by Mr. Michael Burns of Muni and CIBC World Markets Corp., states: "If the transaction fails to close as a result of (1) the fault of Muni including, the failure to receive all necessary approvals including, without limitation, (i) Muni's Board of Directors, (ii) the Finance Committee of the City and County of San Francisco Board of Supervisors, (iii) the City and County of San Francisco Board of Supervisors or (iv) the Mayor of San Francisco or (II) as a result of changes in the net upfront benefit to Muni as a result of

changes in market interest rates then Muni shall pay all Transaction Costs."

23. As stated previously, the estimated one-time revenue from the proposed transaction would depend upon interest rates on the closing date of the transaction. Based on information provided by Muni, the amount of $33 million is cited in the Budget Analyst's report. On April 4, 2002, Muni advised the Budget Analyst as follows: "The $33 million estimated one-time revenue previously provided was based on interest rates at that time. Based on current interest rates of 6.14 percent, Muni now estimates that the one-time revenue could be as much as $38.5 million." However, the final one-time revenue benefit to Muni will not be known until the transaction closes.

Recommendations:

1. In accordance with Comment No. 11, amend the proposed resolution as follows:

(a) on page 14, line 13, at the end of the paragraph, insert the following language: "Any changes, additions or modifications by the Mayor or his designee should not substantially alter the agreements as approved by the Board of Supervisors. If any such changes, additions or modifications are substantive, additional Board of Supervisors approval is required."

(b) on page 14, line 25, at the end of the paragraph, insert the following language: "Any such agreements or actions should result in a transaction that is substantially the same as that approved by the Board of Supervisors. If such agreements or actions result in a transaction that differs substantially from that approved by the Board of Supervisors, additional Board of Supervisors approval is required."

2. In accordance with Comment No. 16, amend the proposed resolution to require Muni to report back to the Board of Supervisors after Muni has completed the proposed transaction. Such a report should include: (a) specific information on the actual amount of the one-time revenues received and how Muni used such revenues and (b) information on any changes in the transaction since its approval by the Board of Supervisors.

3. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors because: (a) the proposed transaction would limit the City's ability to retire the leased Breda vehicles until approximately 2029, (b) according to Ms. Harrington, Muni proposes to use up to $15.9 million of the anticipated one-time revenue gain of $33 million to Muni to fund projected budget shortfalls and mandatory expenditure increases rather than to fund one-time capital projects (c) the proposed transaction includes six risk factors as itemized in Comment No. 7 that could expose the City to unknown future costs (d) the proposed resolution would waive the City's right to a jury trial (e) the proposed resolution would waive the non-discrimination requirements of Sections 12B and 12C of the City's Administrative Code and (f) the Muni will be obligated to pay "broken deal expenses" of an estimated $1,670,000 if the Board of Supervisors and/or the Mayor disapproves this proposed resolution.

MUNI

First Tranche

Estimated Transaction Expenses (02/10/2002)

Equipment Cost	$388,156,000	100.00%
	Projected	*% of e.c.*
Legal Counsels	1,235,000	0.32%
Insurance Premiums (Property, Surety)	3,754,588	0.97%
Lender/PUA Fees	875,000	0.23%
Trustee/Custodian	291,000	0.07%
Advisors/Consultant/Appraiser	3,664,326	0.94%
Miscellaneous	120,000	0.03%
Total Estimated Expenses:	$9,939,914	2.56%

MUNI

First Tranche

ESTIMATED "BROKEN DEAL" EXPENSES		
Equipment Cost	$388,156,000	100.00%
	Projected	*% of e.c.*
Expenses Incurred by Equity Investors. FSA. Trustee	955,000	0.25%
Expenses Incurred by Muni:		
External Attorneys	415,000	0.11%
Services of City Departments	300,000	0.08%
Total Estimated Broken Deal Expenses	1,670,000	0.43%

Municipal Transportation Agency
City and County of San Francisco

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration

Date: March 12, 2002

Subject: Proposed Muni Lease-Leaseback Transaction

The purpose of this memorandum is to provide the Finance Committee with a high level description of the San Francisco Municipal Railway's proposed leveraged lease-leaseback transaction involving its Breda Light Rail Vehicles (the "Breda Vehicles"). This memorandum will supplement the information provided to the Committee by the Budget Analyst.

Brief Description of Transaction

This transaction does not involve the financing or procurement of any new vehicles. Instead, Muni's objectives are to obtain a one-time cash payment in exchange for transferring the tax benefits associated with its Breda Vehicles to private parties (known as "Equity Investors"), without impairing the day-to-day operations of the transit system, and while minimizing the financial risks that are associated with the transaction. So long as the City and Muni meet their obligations under the transaction, such as maintaining the Vehicles to the industry standards, Muni will maintain "quiet enjoyment" of the Breda Vehicles.

Below are a set of questions and answers concerning the transaction.

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Who Are the Parties in the Transaction?

Title and Role in Transaction	Entity
Head Lessor & Subleasee (Leases Vehicles to Equity Investors' Trust, and subleases Vehicles back)	City and County of San Francisco
Head Lessee & Sublessor (Leases Vehicles from City, and subleases Vehicles back to City)	Single Purpose Trust created by Equity Investors ("Equity Investors' Trust")
Equity Investors	- CIBC Capital Corporation - Comerica Leasing Corporation - Wells Fargo Bank, Minnesota N.A. - Australia and New Zealand Banking Group Limited ("ANZ")
Lender (Makes loan to Equity Investors' Trust)	FSA Global Funding Limited ("FSA")
Debt Payment Undertaker (Similar to a paying agent, responsible for making payments from an escrow account to Lender when due)	Premier International Funding Co.
Guarantor of Payment Undertaker	Financial Security Assurance ("FSA")
"Strip" Surety Policy Provider[1] For CIBC, Comerica and ANZ	Financial Security Assurance ("FSA")
"Strip" Surety Policy Provider For Wells Fargo[2]	ACE Guaranty Re, Inc.
Trustee/Custodian	State Street Bank & Trust of California

1 A "Strip Surety Policy" is similar to "gap" insurance coverage, which insures that the Equity Investors will be made financially whole in the event that the transaction terminates early and the funds in escrow are insufficient make all of the payments that they are owed

2 Wells Fargo currently has surety policies in place with FSA for other transactions In order to not be "overexposed" to any individual surety policy provider, they replaced FSA in this transaction with ACE with the City's concurrence.

Please note that the legal documents indicate that the City and County is the obligated party in the transaction, rather than Muni, and as a result, the City is referenced often in this memorandum. However, we expect the financial risks of the transaction to be borne by Muni (recourse is limited to Muni revenues), barring a catastrophic event. The funds received from the transaction would be Muni revenues, and therefore the financial risks should be construed as risks to Muni.

What is the Status of the Breda Vehicle Fleet and How Was It Originally Paid For?

Muni's fleet of Breda Light Rail Vehicles is expected to grow to 151 vehicles by the end of calendar year 2002. Delivery of the Breda Vehicles began in 1996, and there are currently 130 Breda Vehicles in service. The procurement of the vehicles was funded from a combination of Federal Transit Administration (FTA) grants, State rail bond funds, and local Proposition B capital grant funds.

How Does This Transaction Generate Revenue For Muni?

Muni's economic benefit is derived from the transfer of Federal income tax benefits associated with the Breda Vehicles. As a governmental entity, the City and County of San Francisco does not pay tax to the Federal Government and, accordingly, cannot avail itself of the tax benefits associated with the ownership of depreciable property, such as the Breda Vehicles. By contrast, private entities can benefit from depreciating their assets for tax purposes – the annual amount of depreciation associated with an asset is treated as a current expense that offsets current income, similar to an itemized deduction on a personal income tax return.

In a transit vehicle lease-leaseback transaction, the Equity Investors derive Federal tax benefits by recording the depreciation from transit vehicles on their financial statements, and from incurring the tax-deductible expenses associated with the loan and transaction expenses involved in the financing. In exchange for these benefits, the Equity Investors provide a transit agency with an up-front, one-time payment, net of transaction expenses.

How Much One-Time Revenue is Muni Expecting?

The financing has been divided into two parts or "tranches," the first of which will involve 118 Breda Vehicles. An additional twelve Vehicles will be held back and made available for "substitution" purposes. (See discussion below on Risks – Operational Risks). Muni's financial advisors currently estimate that, based on current interest rates, Muni will receive a payment of approximately $33.0 million for the first tranche, net of all expenses incurred in the financing. This is equivalent to 8.5 percent of the $388.1 million appraised fair market value of the vehicles included in the first tranche.

The final amount of the payment to Muni may vary significantly between now and when the financing closes due to changes in interest rates. Increases in U.S. Treasury and related interest rates will increase the net revenue to Muni, while decreases in those interest rates will decrease the revenue, because the final calculation of Muni's revenue is tied to the interest earnings on fixed-rate investments.

The current schedule calls for delivery of the final Breda Vehicles by the end of calendar year 2002. As a result, the second tranche of up to 21 Vehicles is projected to close no sooner than the first quarter of calendar year 2003. Assuming the same level of revenue per vehicle as in the first tranche, the one-time revenue from the second tranche is estimated at $5.9 million. The second tranche would require approval from both the MTA Board of Directors and the Board of Supervisors.

Where Would the Revenues Go?

The revenues are deposited in the Municipal Transportation Fund, which was created by Proposition E (Charter Article 8A.105). All Muni revenues, including the City's General Fund support to Muni, are placed into this Fund and are utilized for operating or capital purposes of the Municipal Transportation Agency.

When Would the Revenue be Legally Recognized?

Muni's understanding is that the revenue from the first tranche can be recognized once the transaction closes, which would be approximately one week after approval by the Board of Supervisors and the Mayor. Muni would then submit a supplemental appropriation request to the Municipal Transportation Agency Board of Directors and to the Board of Supervisors seeking authority to spend some of the proceeds from the transaction.

Have Other Transit Agencies Completed This Type of Transaction?

Yes. Since the early 1980's, transit agencies have undertaken transactions similar to this one, in which they transferred depreciation or other tax benefits to private entities in exchange for an up-front cash payment. For example, the City engaged in "sale and leaseback" transactions involving Muni's Boeing Light Rail vehicles in 1983 and 1985.

As Federal tax regulations and rulings have evolved, and in some cases become more stringent, the structure of these transactions has changed. Currently, other transit agencies have utilized the same type of financing structure as the one described in this memorandum. In 2001 and thus far in 2002, leveraged lease-leaseback transactions have been undertaken by Caltrans, BART, the Peninsula Corridor Joint Powers Board, as well as transit agencies in Los Angeles, Atlanta, St. Louis, Philadelphia, and Seattle. A separate document lists the transit agencies that have completed lease-leaseback deals in the country over the past six years.

Why Didn't Muni Do This Earlier?

Under previous state law, a lease-leaseback transaction such as this one may have been subject to State and Local sales taxes. Prior to October 2001, only the California Department of Transportation had been granted a legislative waiver from state and local sales taxes for these transactions. Other California lease-leaseback transactions involved transit agencies that were subject to the jurisdiction of the U.S. Surface Transportation Board, which exempted them from State and Local sales taxes. That is not the case for Muni. Under the lease-leaseback documents, Muni would have been required to absorb that cost, and at a State and local sales tax rate of 8.25%, the sales tax would have negated the net revenues to Muni.

On October 7, 2001, Governor Davis signed Assembly Bill 984 ("A.B. 984") into law. A.B. 984 provides a sales and use tax exemption for the lease-leaseback of transit "qualified equipment" (including vehicles). This exemption "sunsets" on January 1, 2004. The Bill requires the State Legislative Analyst to conduct a study of the exemption and to submit a report to the Legislature by January 1, 2003. The results of this study will influence whether this exemption may be renewed.

Municipal Transportation Agency
City and County of San Francisco

To: Members of the Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration

Date: March 20, 2002

Subject: Questions and Answers on the Structure of the Muni Lease-Leaseback Transaction

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The purpose of this memorandum is to provide the Committee with a high level description of the structure of the San Francisco Municipal Railway's proposed leveraged lease-leaseback transaction involving its Breda Light Rail Vehicles (the "Breda Vehicles"). The memorandum also addresses the issue of the financial risks to the City in this transaction, and the steps that have been taken to mitigate those risks.

This memorandum will supplement the information provided to the Committee by Muni in a separate memorandum regarding a general overview of the transaction, and in another memorandum on the proposed uses of the revenue from this transaction.

How Does This Financing Work?

The mechanism for transferring depreciation and other tax-related benefits from the City to the Equity Investors is a lease. A "Head Lease" and a "Sublease" are executed simultaneously on the day that the financing closes. Accordingly, these types of transactions are called "lease-leaseback financings." A diagram of the major agreements and parties involved in the transaction is included as Attachment A.

Who Are the Primary Parties to the Head Lease and Sublease?

The City and Single Purpose Trusts ("Equity Investors' Trusts") formed by the Equity Investors. Each Equity Investor will form its own Equity Investor Trust, all of which are identical. Two of the Equity Investors, CIBC and Comerica, will each form two Equity Investor Trusts, so the total number of Equity Investor Trusts involved in the transaction is six (but for the sake of simplicity, this memorandum will continue to refer to a single Equity Investor Trust). That is because CIBC and Comerica are leasing Vehicles with

different remaining useful lives and different purchase option dates (an older Vehicle has a shorter remaining useful life and an earlier purchase option date). CIBC is leasing Vehicles with 54 and 50-year useful lives, and Comerica is leasing Vehicles with 52 and 51 year useful lives.

What is the Purpose of the Head Lease?

The Head Lease is the document under which City will transfer "tax ownership" of the Breda Vehicles to the Equity Investors, so that they can record the depreciation and other tax (interest and transaction expenses) benefits associated with the Breda Vehicles on their financial statements. The Head Lease is also the agreement under which the Equity Investors, through the Equity Investors' Trust, are obligated to pay rent for their "use" of the Vehicles.

What is the Value of the Vehicles Involved?

The 118 vehicles involved in the first tranche have an appraised value of $388.1 million or almost $3.3 million per vehicle on average, based on an independent appraisal conducted in connection with this transaction.

How does the Head Lease Work? What Payments Are Made Under the Head Lease?

The City will lease the Breda Vehicles to the Equity Investors' Trust for a term of up to 69 years for the newest Vehicles. The term of the Head Lease is based on U.S. Internal Revenue Service regulations, which require the Head Lease term to be equal to at least 125% of the useful life of the Vehicles. According to an appraisal, the useful life of the newest Vehicles is 55 years. In contrast, as also required by IRS regulations, the total Sublease term (discussed below) is set at 80 % of the useful life of the Breda Vehicles, so the Sublease term is significantly shorter than the term of the Head Lease.

The Equity Investors' Trust will prepay all of the rent -- that is, the Equity Investors' Trust makes all payments that it will owe to the City throughout the life of the Head Lease on the day of the closing.

How is the Equity Investors' Trust Funded?

The prepayment of the Head Lease rents will be funded by a loan from a private lender (FSA) of approximately $285.5 million to the Equity Investors' Trust equal to 73.6% of the fair market value of the Breda Vehicles and an equity investment made by the Equity Investors in the amount of approximately $102.6 million or 26.4% of the fair market value of the Breda Vehicles. For the first tranche of Breda Vehicles, the total Head Lease payment is $388.1 million – which corresponds to the appraised value of the 118 Breda Vehicles.

Does the Full $ 388.1 Million Go to a Muni Account with the City Treasurer?

No. The bulk of these funds are placed in two escrow accounts on the day that the transaction closes. An amount equal to that portion of the Head Lease payment funded by a loan will be placed in one account pursuant to the Payment Agreement among the Debt Payment Undertaker, the City and the Equity Investors' Trust. An amount equal to that portion of the Head Lease payment funded by the equity investment, less the upfront benefit to Muni and transaction expenses, will be invested in obligation backed by the full faith and credit of the United States (the "Equity Securities"), and held by the Custodian, State Street Bank. These deposits will be disbursed as Muni's sublease rent and purchase option payments (discussed in next sections) come due.

Muni's net revenue from the transaction, after expenses, will be sent to the City Treasurer. That amount is estimated at $33.0 million, based upon current interest rates.

What is the Purpose of the Sublease?

The Sublease provides Muni the right to continue operating the Breda Vehicles even after they have been leased to the Equity Investors' Trust by leasing them back to the City.

When Will the Sublease Expire?

Under the terms of the Sublease, the City will have a Purchase Option in approximately 25 to 27 years, which represents the "base term" of the sublease. As required by IRS regulations, the total Sublease term is set at 80 % of the useful life of the Breda Vehicles, including a "renewal term" that adds the additional years to get to the 80% of the 55-year useful life. As noted above, by IRS regulation, the Sublease Term is significantly shorter than the Head Lease Term. However, once the Purchase Option is exercised, the Sublease and Head Lease will terminate.

The payment of that Purchase Option may be made in four quarterly installments. The Sublease has been written so that the City will not be required to take any action at the expiration of the Sublease term in order to exercise the Purchase Option. The City would be required to take action only if it chose not to exercise the Purchase Option.

What Payments Are Made Under the Sublease?

Under the Sublease, the City will be making periodic rent payments to the Equity Investors' Trust as Sublessor. Those payments, in turn, will repay the loan used to finance the loan portion of the Head Lease and to fund payments to the Equity Investors for providing the equity portion of the Head Lease payment. In effect, the source of the Sublease payments will be the loan and the equity escrows previously described. Interest earnings are retained in the escrow accounts to meet all rent and purchase option payments obligations during the Sublease term

Will the City Need to Fund Sublease Payments From Its Annual Budgets?

No. The City's scheduled rent payment obligations throughout the life of the Sublease are "economically defeased" on the day of the closing because the funds deposited in the escrow accounts, combined with investment income earned on those funds, are designed to be sufficient to make all scheduled Sublease rent payments, including the Purchase Option payment. However, because the Sublease payments are not "legally defeased", the City will retain the legal obligations associated with the Sublease payments to the extent permitted by law. (See "Financial Risks and Risk Mitigation" for further discussion).

<u>How do the Head Lease and Sublease Payments Combine To Yield Net Revenue to Muni?</u>

A highly simplified description of the cash flows in this transaction is shown below (assuming current interest rates):

- The Equity Investors' Trust Pays the City $388.1 million on date of closing under the Head Lease;
- The City uses approximately $355.1 million on the date of closing to fund all required Sublease payments, including the Purchase Option payments, and transaction expenses; and
- Muni Receives one-time Revenue net of expenses of approximately $33.0 million on the day of closing.

As noted earlier, the estimate of Muni's one-time revenues is highly sensitive to changes in interest rates between now and the date that the transaction closes.

What are Muni's Maintenance and Insurance Obligations?

Under the Sublease, Muni will be required to operate and maintain the Breda Vehicles to the same standards that it uses today. No obstacles to sound maintenance practices are created in the Sublease, and no additional requirements are imposed on Muni.

In connection with this transaction, Muni has committed to purchasing property insurance coverage for the Breda fleet. Muni may carry a deductible of up to $40 million (the approximate value of the 12 Vehicles held back from the transaction), and would obtain coverage up to $200 million. Earthquake damage and war terrorism damage is excluded from the coverage. This level of coverage will need to be maintained throughout the 27-year life of the transaction. Even in the absence of this transaction, it makes sense to insure the Breda Vehicle fleet from a business perspective. Muni currently insures a limited number of other types of vehicles and a limited number of its facilities.

What Agreements Will the City and Muni Enter Into?

Municipal Transportation Agency
City and County of San Francisco

Attachment B lists all of the Agreements that will be executed at the closing of the transaction to which the City is a party. There will be six separate sets of these agreements. Please note that even though there are four Equity Investors, there are six separate Equity Investor Trusts that will be created. That is because CIBC and Comerica are leasing Vehicles with different remaining useful lives and different purchase option dates (Vehicles received earlier have a shorter remaining useful life and an earlier purchase option date).

What Has Been the Approval Process to Date?

The table below summarizes the MTA approval process.

Municipal Transportation Agency
City and County of San Francisco

Date	Step in Process
4/17/2001	MTA Board authorizes soliciting bids for leveraged lease financing
5/11/2001	Bids received from following potential investors: * CIBC World Markets and its equity investors * Fleet Capital * 1st Union/Wells Fargo * Bank of America Leasing
6/5/2001	MTA Board awards equity investor role to CIBC World Markets team, which bid the highest economic return to Muni
6/20/2001	Final Bids received from the following loan, payment undertakers and strip surety policy providers: * AIG * AMBAC * Financial Security Assurance-Dexia Local Credit
8/21/2001	MTA Board awards loan-related roles to FSA-Dexia, which provided the lowest bid
11/20/2001	MTA Board approves Leases and other Agreements, and authorize Director to select investment instruments

Does the Federal Transit Administration Approve of These Transactions?

In addition to the approvals required from the MTA Board of Directors and the City's Board of Supervisors, the approval of the Federal Transit Administration ("FTA") is required prior to closing this transaction because the transaction involves vehicles funded in part with FTA grants. This approval was received in February 2002. FTA strongly supports the efforts of transit agencies to undertake "innovative financing" initiatives such as lease-leasebacks, and regularly has approved many of these transactions in the past involving other U.S. transit agencies.

Are There Financial Risks In This Transaction?

Yes, there are financial risks to the City and Muni in entering into this transaction. The goal in structuring the transaction is to minimize those risks. In summary, we are confident that the risks identified below are within Muni's control, and are manageable.

Describe These Financial Risks and How They Are Mitigated?

Tax Risk

In general, the Equity Investors bear the Federal tax risk that the lease-leaseback transaction is properly structured to meet IRS requirements. If Federal tax law changes, or tax rates change, as a result of which the Equity Investors do not receive the level of tax benefits that were initially contemplated, the City will bear no responsibility – unless such loss of tax benefits was caused by a factual misrepresentation by the City about the Breda Vehicles. The tax risk borne by the Equity Investors is the largest risk associated with the transaction.

The City, however, will bear all other tax risks associated with the transaction and will need to indemnify the Equity Investors for such risks. The basic risks relate to: (1) sales tax, (2) property tax and (3) withholding tax.

The sales tax risk is that the transfer of the Breda Vehicles to the Equity Investors' Trust will be subject to State sales tax, thereby negating the benefit. The adoption of A.B. 984 addressed this risk and now specifically exempts lease-leaseback transactions executed before 2004 from sales tax.

The property tax risk is that the City Assessor imposes a property tax on the Breda Vehicles as a result of the transfer to the Equity Investors' Trust. The City has received confirmation from the Assessor that she does not intend to impose a property tax on the Breda Vehicles. Assessors throughout the State also have proved such advice. However, it should be noted that the Assessor's current posture with respect to property tax *does not legally bind future assessors* who may at a later date determine that a property tax should be levied – although the precedent established by the Assessor, and other Assessor's throughout the State should greatly minimize this risk

Finally, the City bears the risk that the payments made under the Payment Agreement (to fund a portion of the Sublease payments) become subject to withholding tax. Under current Federal tax law, there is no withholding tax applicable to such payments. This risk would arise if there were a change in Federal tax law. Such a change in Federal tax law is extremely unlikely as such a change in law would, in effect, be retroactive and it would adversely impact trillions of dollars of transactions.

Credit Risk Associated with Payment Undertaker and Equity Investment

As noted previously, although its obligations under the Sublease are economically defeased through the escrows established with respect to the loan and equity deposits, the City remains legally obligated for all payments under the Sublease. As a result, the City bears the risk that the payments originating from Payment Undertaker and the Equity Securities will, in fact, be made.

The risk associated with the Payment Undertaker will be mitigated in two ways. First, the Payment Undertaker's obligations under the Payment Agreement will be guaranteed by the Financial Security Assurance ("FSA"), a "Aaa/AAA"- rated municipal bond insurer that has insured several of the City's bond obligations. Second, the City will have the ability to replace the Payment Undertaker or FSA, if FSA's credit ratings were to be downgraded. Muni's Finance section will monitor FSA's rating on an ongoing basis.

The risks associated with the Equity Securities will be mitigated by using U.S. government securities backed by the full faith and credit of the United States (i.e. securities issued by U.S. government agencies)

Bankruptcy of Equity Investors' Trust or Equity Investors

This is the risk that the Equity Investors' Trust or the Equity Investors would enter into bankruptcy and a bankruptcy judge deems the escrows as part of the bankruptcy estate. This risk is mitigated through the use of a Special Purpose Trust that is bankruptcy-remote and whose only business is to participate in this transaction

Operational Risks

As in its usual operations, Muni will continue to bear the risk of operating the Breda Vehicles. Specifically, the transaction would require Muni meet, but not be limited to, the following:

- The need to maintain the equipment and make all necessary repairs and improvements in order to maintain the value and utility of the equipment.
- The need to be in compliance with all applicable state, local, or federal laws and regulations related to the operation and maintenance of the equipment

Municipal Transportation Agency
City and County of San Francisco

- The need to indemnify various parties to the transaction from liability claims arising out of the operation of the equipment.
- The need to maintain clear, unencumbered title to the equipment, with the exception of permitted liens.
- The need to maintain third party property insurance coverage for the equipment.

Most of the above conditions are within the normal operations of Muni, and are within Muni's control. However, failure to meet any of the above requirements or to address any deficiencies within the prescribed timelines could result in an Event of Default under the sublease, which would trigger payment of Stipulated Loss Value.

Additionally, Muni would bear the operational risk of incurring physical damage to a Breda Vehicle. If the Breda Vehicle can be repaired, Muni will bear that cost. However, if the Vehicle must be permanently removed from service, then the Equity Investor must be compensated for both the value of the vehicle and the lost tax benefits associated with it.

In the event that a Breda Vehicle is permanently taken out of service, Muni has agreed to hold 12 Vehicles out of this transaction, and would make one available to substitute for the original Vehicle. In the event that those 12 Vehicles already have been used for substitution purposes, the Equity Investors would be repaid from funds held in escrow, any insurance proceeds and from a Surety Policy that Muni will obtain from FSA. Then, similar to other lease-leaseback transactions with transit agencies, the City would be required to repay FSA for whatever amounts it pays out under the Surety Policy.

In order to address the City's repayment obligation to FSA, FSA has agreed to limit its recourse to Muni's fare revenues, advertising revenues, rental income, and any other Muni revenue sources available for repayment, to the extent such other funds are available and legally permitted for such purposes.

It should be noted that there has been no instance in which a Breda Vehicle has been destroyed as a result of an accident, and staff has identified only one instance where one of Muni's earlier Light Rail Vehicles, a Boeing LRV's, was destroyed due to an accident.

Early Termination Risk

In the event that the transaction is terminated prior to the Purchase Option date, the City would owe a termination payment. Much of this termination payment will be funded from monies held in the debt payment and equity deposit escrow accounts. However, the remaining portion will likely exceed Muni's upfront economic benefit for much of the Sublease term. Assuming the entire transaction terminates early, the financial obligation would range from approximately $71 million in 2003, to a maximum of approximately $126 million in 2014, back down to approximately $50 million in 2024, and approximately $2 million in 2027. This portion of the City's termination exposure is known as its "Stipulated Loss Exposure." While FSA insures that this Stipulated Loss

Exposure will be paid to the Equity Investors, the City is responsible for repaying the Strip Surety Policy Provider (FSA).

A corollary risk associated with early termination is "marked to market" risk. As noted previously, to fund the required portion from the Equity Securities, the City would need to sell all or a portion of such Securities held in the equity-related escrow account. If interest rates were higher on the early termination date than on the closing date of the transaction, then the proceeds generated by the sale of the securities could be less than the accreted value. Thus, the City could lose a portion of the investment. In other words, the City will be assuming "marked to market" risk. As a practical matter, the City always assumes this risk with its investments. [Current accounting standards now require the City – for all of its investments – to reflect changes in the market value of its investments].

The most likely reasons for an early termination of the Sublease – most of which are within the City's control – would be:

- Default – For example, if the City fails to abide by the covenants governing the operation and maintenance of the vehicles or to maintain third party property insurance, and does not remedy those problems within an agreed upon period, this would be considered to be an "event of default" and could trigger the termination of the leases. Other events of default include: (1) non-payment of Sublease rent (which, as a practical matter, could only be caused by a failure of the debt payment undertaker and the equity investment – see "Credit Risk Associated with the Payment Undertaker and the Equity Investment") and (2) bankruptcy of the City.

- Obsolescence – If Muni determined that one or more Breda Vehicles were technologically or economically obsolete, it would be permitted and terminate the transaction with respect to that Vehicle(s). However, in the unlikely event that Muni no longer has a need for the Breda Vehicles during the Sublease term, for any reason, the City will be permitted to sub-sublease the Breda Vehicles to another transit system operator in the United States.

- Casualty – as noted above, destruction of a Vehicle or its requisition by a third party could result in an early termination of the sublease with respect to that piece of equipment, if no substitute Vehicle were available. There has been no instance in which a Breda Vehicle has been destroyed as a result of an accident, and staff has identified only one instance where a Boeing LRV was destroyed due to an accident.

With the exception of a casualty loss due to natural events, the majority of events that could trigger an early termination are within Muni's control and discretion or, in the case of the failure of the Payment Undertaker, are mitigated by downgrade and removal protections. In the event of a major catastrophe that resulted in a loss of all or a

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significant number of vehicles. Muni would look to (1) property insurance proceeds (excluding an event due to earthquake or terrorism), and (2) funds held in escrow to meet its obligation. Other events that could trigger an early termination have been carefully reviewed, and we have determined that Muni has sufficient direct control as to minimize such risks. Similarly, other transit agencies that have entered into these types of transactions have evaluated these risks and have come to similar conclusions. To date, none of the over 50 plus transactions involving public transit agencies have terminated early for any reason.

Breach of Contract

This is the risk that the Equity Investors do not realize their tax benefits as a result of actions, or failure to act, by the City, as required by the transaction documents. Muni's Finance section will take the lead in monitoring the City's compliance with the transaction's requirements.

Broken Deal Transaction Costs

If the transaction does not close due to the lack of local approval, Muni will be liable for the legal fees, appraisal fees and certain other costs incurred in the preparation of the transaction. These "broken deal" costs are currently estimated at approximately $1.6 to $1.7 million, and would be paid from Muni's Operating Budget. Of that amount, $240,000 is for a transportation consulting firm (Mercer), $125,000 is for the Vehicle Appraiser (American Appraisal) and the remainder is for the attorneys representing the parties to the transaction.

Who are the Outside Advisors used on this Transaction?

The following financial advisors have assisted with this transaction and will be compensated from the proceeds of the transaction: LIATI Group, LLC; Global Capital Finance LLC; McCalley Consulting; and Ross Financial. The following firms have provided legal advice in connection with this financing: Orrick, Herrington & Sutcliffe LLP; Sidley Austin Brown & Wood LLP; and Lofton & Jennings. LIATI Group, McCalley Consulting and Lofton & Jennings are Minority Business Enterprises. Ross Financial is a Local Business Enterprise.

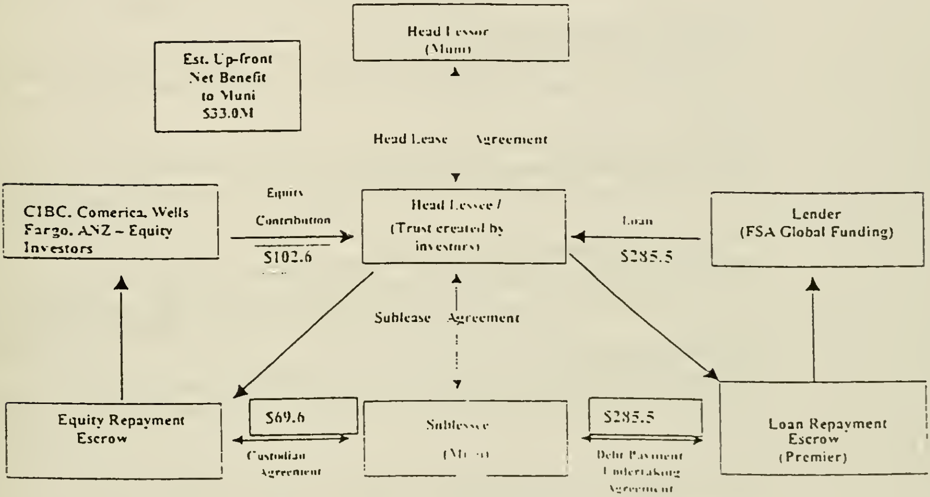
How Are the Outside Advisors and Other Parties Being Paid?

If the transaction closes, the transaction expenses are estimated to be approximately $10 million, including the cost of the strip surety guaranty premium, lender's fees, legal counsel for all parties, financial advisory services, appraisal fees and trustee costs. These costs will be paid from the gross revenues of the transaction. The $3[illegible] million revenue estimate for Muni is net of the transaction expenses.

Municipal Transportation Agency
City and County of San Francisco

Attachment A

Leveraged Lease-Leaseback Financing Diagram
First Tranche of $388.1 Million



Note: The amount of the Equity Contribution to the Head Lease ($102.6M) differs from the amount deposited in the Equity Repayment Escrow ($69.6M) by the amount that Muni receives as its up-front, one-time revenue from the transaction ($33.0M).

Municipal Transportation Agency
City and County of San Francisco

Attachment B

Agreements in Leveraged Lease-Leaseback Financing
To which the City is a Party

Participation Agreement – Spells out the overall terms and conditions, roles, covenants, general representations and warranties of the lease-to-service contract transaction relating to the Breda Vehicles. Agreement is among the City, the Equity Investors, the trustee (State Street), the lender (FSA) and the loan payment undertaker (Premier).

Head Lease Agreement- Establishes the terms and conditions under which the Breda Vehicles will be leased to the Equity Investors' Trust (between the City and the Trust; City as Lessor, Trust as lessee)

Head Lease Supplement I- Supplements the Head Lease terms and conditions by identifying specific Breda Vehicles (by car number) that will be leased by the City to the Equity Investors' Trust.

Sublease Agreement – Establishes the terms and conditions under which the City will lease back the Breda Vehicles from the Equity Investors' Trust. Agreement is between the Trust and the City, with the trust as the Sublessor and the City as the Sublessee.

Sublease Supplement I – an agreement that supplements the terms and conditions of the Sublease by identifying specific Breda Vehicles (by car number) that will be subleased back from the Equity Investors' Trust.

Payment Agreement – an agreement between the City and the Equity Investors' Trust, which establishes terms and conditions under which the City will pay sublease rent.

Support and Access Agreement- Establishes terms and conditions under which the City will provide support and access if the City chooses not to purchase the Breda Vehicles at the end of the Sublease term (between City and Equity Investors' Trust).

Tax Indemnification Agreement – Establishes the terms and conditions under which the City will indemnify the Equity Investors.

Insurance and Indemnity Agreement – Agreement between the City and each of the Strip Surety Policy Providers (FSA and ACE), which establishes the terms and conditions under which the City will indemnify the Strip Surety Policy Providers

Custody Agreement – Agreement between the City and the Trustee (State Street) establishing the terms and conditions under which the U.S. Government securities placed in escrow will be held.

Equity Collateral Security Agreement – Agreement among the City, the Equity

Municipal Transportation Agency
City and County of San Francisco

Investors' Trust and the Trustee (State Street) that provides a security interest to the Equity Investor in the Equity Securities held in the Custodian Account.

Municipal Transportation Agency
City and County of San Francisco

MEMORANDUM

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration
San Francisco Municipal Railway

Date: March 12, 2002

Subject: Use of One-Time Revenues from Proposed Breda Leveraged Lease-Leaseback Transaction

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The purpose of this memorandum is to describe Muni's plans for the use of the one-time revenues from the proposed leveraged lease-leaseback transaction involving Muni's Breda Light Rail Vehicles. This memorandum will supplement the information provided to the Committee by the Budget Analyst, as well as information provided to the Committee by Muni regarding the structure of the transaction itself.

Estimated One-Time Revenue

Muni's financial advisors estimate the one-time revenue from the first tranche of the leveraged lease-leaseback transaction (118 vehicles) to be approximately $33.0 million.

Because these revenues are being derived from capital assets, and are one-time in nature, they are appropriate for use for non-recurring costs. Muni has identified several investments for these funds. Some are one-time expenses contained in the current year operating budget and others are currently not funded as part of our capital program.

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Fiscal Context – FY2002 and FY2003 Operating Budgets

As with other City Departments, the economic recession has significantly affected Muni's operating revenues. For Fiscal Year (FY) 2002, Muni estimates that it faces an $17 million shortfall in actual revenues versus budget. This shortfall includes a:

- $3 million reduction in General Fund support compared to the FY2002 budget;
- $6.7 million reduction in fare revenue compared to the budget; and
- $7.3 million reduction in sales tax revenues from the Metropolitan Transportation Commission (MTC), parking revenues, advertising and other sources.

For FY2003, Muni faces a $23.5 million revenue shortfall compared to the FY2002 budget, combined with a $15.2 million increase in mandated expenditures (primarily for cost of living adjustments in connection with collective bargaining agreements), yielding a $38.7 million budget gap.

For both FY2002 and FY2003, Muni has developed plans to balance its operating budgets without making significant changes to service levels, without cutting existing staff, without changing fare levels, and without requesting additional support from the General Fund. In order to accomplish these objectives, Muni has had to rely on a portion of the one-time revenues from the proposed Breda lease-leaseback transaction.

Use of Breda Revenues for FY2002 Budget

For FY2002, Muni intends to utilize approximately $5 million in Breda revenues to fund expenses that otherwise would have been funded from the operating budget, and that should not be deferred or eliminated. All of these expenses are eligible to be funded with capital monies, but either no capital funds or inadequate funds are available for these projects. These include:

Geneva Carhouse canopy	$500,000
Scheduling system	$500,000
Vehicle Maintenance System/Material Management System	$1,000,000
Non-revenue vehicle replacement	$420,000
PCC Painting Program	$604,000
Facilities Maintenance/Capital Improvement Projects: track roadbed and misc. facilities	$400,000
Elevator/escalator	$695,000

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Information Technology Procurement	$891,000
Total	$5,010,000

The use of Breda one-time revenues in FY2002 will permit Muni to stay within budget without sacrificing essential upgrades to its facilities, equipment and information technology.

Use of Breda Revenues for FY2003 Budget

For FY2003, Muni intends to utilize $854,000 in Breda revenues to fund expenses that otherwise would have been funded from the operating budget, and that should not be deferred or eliminated. These include:

- PCC Painting - $604,000
- Signage Improvements - $250,000

In addition, the FY2003 budget relies on Breda revenues indirectly, to compensate for the use of $10 million in Federal funds for preventive maintenance, an operating expense.

As background, under the most recent Federal surface transportation authorization bill, known as "TEA-21," Federal Transit Administration Section 5307 capital funds are eligible to be used for preventive maintenance purposes. This is a common business practice for other transit systems throughout the country. For Muni, preventive maintenance can improve the reliability of its vehicles and facilities, which in turn would improve Muni's ability to meet the Service Standard Goals established in Proposition E. To date, the MTC, which administers the 5307 funds for the Bay Area region, has been reluctant to allow transit agencies to use 5307 funds for preventive maintenance purposes as a policy matter, due to the extensive backlog transit capital needs throughout the region.

Muni has discussed the current economic and budgetary situation with MTC, and we are working with them to allocate available funding from capital to preventive maintenance operating costs for a two-year period. $10 million would be allocated in FY2003 for this purpose. This strategy is in accordance with economic forecasts, which predict a short-term decline in the economy and a recovery beginning mid-way through FY2003. Muni has committed to identifying additional capital funding in future years from another source, such as Breda lease-leaseback revenues, and will not request further allocations from the MTC for capital projects during this time period.

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As a result, Muni may allocate up to $10 million of the Breda revenues to replace the $10 million in Section 5307 funding that will be used for preventive maintenance.

Uses of Remaining Breda One-Time Revenues – Capital Projects

Assuming total revenues of $33 million for the first tranche of the transaction, and that up to approximately $15 million of that amount is used for the FY2002 and FY2003 budget measures discussed above, approximately $18 to $28 million (depending on the allocation of revenues to replace the Section 5307 funding) would be available to fund capital projects.

Muni has identified six categories of capital projects that it will target for the use of Breda revenues. These categories are:

- Service Reliability
- Accessibility/ADA
- Safety/Security/Training
- Environmental
- Facility Modifications
- Capacity Expansion

The eventual use of these funds will be subject to the normal review and approval process by the Municipal Transportation Agency Board of Directors and the Board of Supervisors.

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<u>ATTACHMENT VI</u>

Payment Dates	Total Termination Values for all Equity Investors
6/28/02	57.517.040.90
12/1/02	62.334.061.60
1/30/03	62,747.077.98
12/1/03	71.139.148.37
1/30/04	71.491.522.92
12/1/04	79.444.284.13
1/30/05	79.731.923.54
12/1/05	87.340.159 86
1/30/06	87.574.026.48
12/1/06	94.607.074 10
1/30/07	94.746.115.40
12/1/07	101.282.534.57
1/30/08	101.360.417.49
12/1/08	107.234.909.89
1/30/09	107.204.259.53
12/1/09	112.476.512.78
1/30/10	112.372.779 83
12/1/10	117.018.557.30
1/30/11	116.812.120.62
12/1/11	120.696.248.36
1/30/12	120.382.211.53
12/1/12	123.450.998.48
1/30/13	123.020.807.01
12/1/13	125.110.234.29
1/30/14	124.541.247.42
12/1/14	125.675.017.47
1/30/15	124.979.443.70
12/1/15	125.045.086.42
1/30/16	124.198.164.16
12/1/16	123.126.003.40
1/30/17	122.125.450.55
12/1/17	119.850.330.76
1/30/18	118.682.866 64
12/1/18	115.066.772 64
1/30/19	113.715.444 94
12/1/19	108.627.559.64
1/30/20	107.077.328.44
12/1/20	100.356.789 67
1/30/21	98.587.940.46
12/1/21	90.128.960.90
1/30/22	88.142.114 77
12/1/22	78.013.230.31
1/30/23	75.812.782.24
12/1/23	64.406.602.65
1/30/24	62.036.925 66
12/1/24	49.826.894 35
1/30/25	47.311.699 68
12/1/25	34 351.872 21
1/30/26	31 682.223 91
11/5/26	3 436.754 55
12/1/26	14 888.748 39
1/5/27	2.171.676 96
1/30/27	11 087.106 91
10/5/27	3 082.962 78
12/1/27	2 147 603 14
1/5/28	1 854.654 31

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
1Q 2002	U.S. Lease-to-Service Contract	SEPTA	Rolling Stock	$310,200,000
1Q 2002	**U.S. Lease-to-Service Contract**	**Southern California Regional Rail Authority (SCRRA)**	**Rolling Stock**	**$67,800,000**
1Q 2002	**U.S. Lease-to-Service Contract**	**Peninsula Corridor JPB**	**Rolling Stock**	**$N/A**
1Q 2002	**QTE**	**BART (San Francisco)**	**Control Systems**	**$202,000,000**
4Q 2001	U.S. Lease-to-Service Contract	Bi-State Development Agency	Rolling Stock	$16,000,000
3Q 2001	U.S. Lease-to-Service Contract	Bi-State Development Agency	Rolling Stock	$120,000,000
3Q 2001	**U.S. Like Kind Exchange**	**LACMTA**	**Facilities**	**$285,500,000**
4Q 2001	U.S. Lease-to-Service Contract	MARTA	Rolling Stock	$120,000,000
4Q 2001	**U.S. Lease-to-Service Contract**	**State of California Caltrans**	**Rolling Stock**	**$N/A**
4Q 2001	U.S. Lease-to-Service Contract	SEPTA	Rolling Stock	$338,200,000
3Q 2001	**U.S. Lease-to-Service Contract**	**LACMTA**	**Rolling Stock**	**$82,500,000**
3Q 2001	U.S. Lease-to-Service Contract	State of New Jersey	Real Estate	$370,000,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
3Q 2001	U.S. Lease-to-Service Contract	SEPTA (Philadelphia)	Rolling Stock	$140,000,000
1Q 2001	U.S. Lease-to-Service Contract	Sound Transit (Seattle)	Rolling Stock	$61,000,000
1Q 2001	U.S. Lease-to-Service Contract	MARTA (Atlanta)	Rolling Stock	$256,250,000
1Q 2001	U.S. Lease-to-Service Contract	New Jersey Transit	Light Rail Vehicles	$71,560,000
4Q 2000	U.S. Lease-to-Service Contract	New Jersey Transit	Light Rail Vehicles	$85,872,000
4Q 2000	U.S. Pickle Lease	Metropolitan Transit Authority of Harris County, Houston, Texas ("METRO")	Bus Maintenance Facilities	$225,400,000
2Q 2000	U.S. Lease-to-Service Contract	State of California Caltrans	Rolling Stock	$255,000,000
3Q 2000	U.S. Lease-to-Service Contract	DART (Dallas)	Rolling Stock	$91,000,000
3Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$186,220,000
3Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$206,800,000
2Q 2000	U.S. Lease-to-Service Contract	LACMTA (Los Angeles)	Rail Cars	$182,800,000
2Q 2000	U.S. Lease MACRS	Amtrak	Rolling Stock	$150,827,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
2000	**U.S. Lease-to-Service Contract**	**Peninsula Corridor Joint Powers Board**	**Rolling Stock**	**$N/A**
1998	**U.S. Lease-to-Service Contract**	**Southern California Regional Rail Authority**	**Rolling Stock**	**$41,000,000**
2Q 2000	U.S. Like Kind Exchange	City Public Service of San Antonio	Power Plant	$725,000,000
4Q 1999	U.S. Lease MACRS	Amtrak	Rolling Stock	$384,800,000
4Q 1998	U.S. Leasehold	Metro Dade Transit Agency (Miami)	Facilities	$145,000,000
3Q 1998	U.S. Leasehold	Metra (Chicago)	Rolling Stock	$305,000,000
3Q 1998	U.S. Leasehold	New Jersey Transit	Facilities	$90,000,000
2Q 1998	U.S. Leasehold	Boston University	Real Estate	$210,000,000
2Q 1998	U.S. Leasehold	MBTA (Boston)	Facility	$228,000,000
2Q 1998	U.S. Leasehold	DART (Dallas)	Facility	$128,000,000
3Q 1998	**U.S. Leasehold**	**Santa Clara Valley Transit Authority**	**Rolling Stock**	**$100,000,000**
4Q 1998	**U.S. Leasehold**	**San Joaquin Regional Rail (ACE)**	**Rolling Stock**	**$21,500,000**
1Q 1998	U.S. Leasehold	New Jersey Transit	Rolling Stock	$300,000,000

Bold items indicate transactions completed in California jurisdictions.

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
4Q 1997	U.S. Leasehold	MTA (New York)	Rolling Stock	$85,000,000
3Q 1997	U.S. Leasehold	Bi-State Development Agency	Facilities	$92,300,000
3Q 1997	U.S. Leasehold	DART (Dallas)	Rolling Stock	$125,000,000
2Q 1997	U.S. Leasehold	Chicago Transit Authority	Facilities	$133,400,000
2Q 1997	U.S. Leasehold	Metro Dade Transit Agency (Miami)	Rolling Stock	$140,000,000
2Q 1997	U.S. Leasehold	New Jersey Transit	Facilities	$156,000,000
1Q 1997	U.S. Leasehold	NSDTD (San Diego)	Rolling Stock	$50,000,000
1Q 1997	U.S. Leasehold	MTA (New York)	Real Estate	$314,000,000
1Q 1997	U.S. Leasehold	Port Authority Allegheny County	Rolling Stock	$100,000,000
1Q 1996	U.S. Leasehold	LACMTA (Los Angeles)	Light Rail Vehicles	$55,000,000
1Q 1997	U.S. Leasehold	Peninsula Corridor Joint Powers Board	Rolling Stock	$100,000,000
1Q 1997	Japanese Lease	SEPTA (Philadelphia)	Buses	$52,477,694
1Q 1997	Japanese Lease	King County, Washington	Buses	$71,285,000

Partial List of Lease Transactions Involving Public Entities

Closing Date	Type of Lease Transaction	Public Agency	Asset Type	Transaction Value
4Q 1995	**U.S. Leasehold**	**San Diego Metropolitan Transit Development Board**	**Rolling Stock**	**$100,000,000**
4Q 1996	U.S. Leasehold	Port Authority of Allegheny County	Rolling Stock	$17,328,000
1996	**U.S. Leasehold**	**Southern California Regional Rail Authority**	**Rolling Stock**	**$180,000,000**
3Q 1996	U.S. Leasehold	Chicago Transit Authority	Facilities	$125,000,000
4Q 1995	Japanese Lease	Massachusetts Bay Transportation Authority	Buses	$37,132,050
4Q 1995	**Japanese Lease**	**MTDB (San Diego)**	**Buses**	**$27,077,586**
3Q 1995	Japanese Lease	Port Authority of Allegheny County	Buses	$11,760,000
4Q 1994	German Lease	Regional Transportation District of Denver	Light Rail Vehicles	$23,100,000
4Q 1994	Japanese Lease	Port Authority of Allegheny County	Buses	$12,000,000
3Q 1994	Japanese Lease	Regional Transportation District of Denver	Buses	$19,700,000

Bold items indicate transactions completed in California jurisdictions.

Municipal Transportation Agency
City and County of San Francisco

MEMORANDUM

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration
San Francisco Municipal Railway

Date: March 20, 2002

Subject: Proposed Breda Leveraged Lease-Leaseback Transaction
Equity and Lender Procurement Process

The purpose of this memorandum is to describe the process that was used to competitively procure the Equity Investors and Lender/Surety/Payment Undertaker for the proposed leveraged lease-leaseback transaction involving Muni's Breda Light Rail Vehicles. This memorandum will supplement the information provided to the Committee by the Budget Analyst, as well as information provided to the Committee by Muni regarding the structure of the transaction itself.

Equity Investors

On April 25, 2001 an Information Memorandum (the equivalent of a Request for Proposal) was issued to over 20 potential investors. On May 11, 2001 a total of four (4) proposals were received from Canadian Imperial Bank of Commerce, Fleet Capital Leasing, Bank of America Leasing & Capital, and Capstar Partners.

The bids were reviewed and analyze by Muni's financial advisors (Global Capital Finance and LIATI Group). The bids were evaluated based upon, but not limited to, the following criteria:

- Up Front Benefit offered to Muni

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- Experience completing similar transactions with public agencies
- Willingness to underwrite most transaction expenses
- Risks of proposed transaction structure
- Ability/Willingness to meet City HRC requirements

On May 25, 2001 a meeting was held to evaluate the proposals with the evaluation committee comprised of Muni staff (Gigi Harrington, Bob Kuo, Fred Clarke), City Attorney's Office (Michelle Sexton, Dave Sanchez), Outside Legal Counsel (Cliff Gerber).

Based on the evaluation of the bids received the committee recommended awarding the transaction to CIBC. CIBC was ranked highest based on the combination of factors, specifically, CIBC offered the highest up front benefit to Muni, was willing to cover transaction expenses in the event of a broken deal, and had a demonstrated track record of successfully closing similar transactions with other public transit agencies (see Table A below).

Table A: Leveraged Lease Financing for Each Bid, May 2000

	CIBC	Fleet	1st Union/ Wells Fargo	B of A Leasing
Projected Net Benefit to Muni	\$29.5m	\$28.8m	\$24.3m	\$23.1m
% of Vehicle Market Value for each Tranche	9.22%	8.99%	7.60%	7.21%

Lender/Surety Provider/Payment Undertaker

On May 18, 2001 a Letter Request for Proposal was sent to eight (8) banking and insurance firms that specialize in providing loans, strip surety policies and debt and equity payment undertaking services for leverage lease/leaseback transactions. On May 23, 2001 proposals were received from three (3) firms; Financial Security Assurance Inc. (FSA)/Dexia, AIG Financial Products, and Ambac.

The bids were reviewed and analyze by Muni's financial advisor, Global Capital Finance. The bids were evaluated based upon, but not limited to, the following criteria:

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- Overall cost
- Relevant experience

On May 25, 2001 a meeting was held to evaluate the proposals with the evaluation committee comprised of Muni staff (Gigi Harrington. Bob Kuo. Fred Clarke). City Attorney's Office (Michelle Sexton. Dave Sanchez). Outside Legal Counsel (Cliff Gerber).

Based on the evaluation of the bids received the committee recommended awarding the Lender/Strip Surety Provider/Payment Undertaker services to FSA. FSA was ranked highest based on the fact that they offered the lowest overall costs to Muni. The next lowest bidder was approximately $200,000 higher than the FSA's bid. It was determined that all three firms had sufficient relevant experience with providing these types of services; therefore, cost became the deciding factor.

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San Francisco Municipal Railway- US Lease
Summary Bid Data

	CIBC	Fleet Capital Leasing	First Union/Wells Fargo		Bank of America
Contact Information					
-Name	Karen Weinberg	Shari Leigh Gordon	Louis De Carlo		James Stano
-Title	Managing Director	Vice President	Senior Vice President		Managing Director
-Address	425 Lexington Av. NY, NY 10017	509 Madison Avenue, Suite 2106, NY NY 10022	40 East 52nd Street NY NY 10022		231 South LaSalle Street, Chicago IL 60697
-Telephone	(212) 856-3614/ (831) 626-7423	(212) 980-1289	(212) 319-4219- Lou		(312) 828-4816
-E-mail	karen.weinberg@us.cibc.com	sharileigh_gordon@fleet.com	Pending		jim.stano@bankofamerica.com
-Fax Number	(212) 856-3688/ (831) 626-6423	(212) 980-1306	Pending		(312) 974-0205
			First Union	Wells Fargo	
Commitment Amount					
1st Tranche					
-Total	$340,550,000	$320,150,000	$226,131,960	$89,819,574	$320,150,000
-Underwritten	$340,550,000	$159,150,000	$0	$0	$160,075,000
-Syndicated	Not Available	$161,000,000			$160,075,000
Second Tranche					
- Total	$163,200,000	$145,000,000	$108,368,040	$40,680,426	None
- Underwritten	$163,200,000	$145,000,000	$0	$0	None
- Syndicated	Not Available	$0			None
II Advisors and Counsel	None	None	CAPSTAR Partners		None
- Legal Counsel	Mayer, Brown & Platt or King & Spalding	King & Spalding	Hunton & Williams		Mayer, Brown & Platt
- Legal Fees	Pending - 350,000	$350,000	$350,000		Pending
- Payment of Out of Pocket (Yes/No)	No	Yes	No		Pending
- Appraiser	American (adjusted)	Ernst & Young	American		American
V Broken Deal					
- Coverage (Yes or No)	Yes, except for City's counsel and advisor	Yes	Pending		Pending
- Broken Deal Fees	Subject to negotiation of caps	Actual billable hours	Pending		Pending
V. Transaction Structure					
- Type of Debt	100% Loop	90% Loop	90% Loop	100% Loop	90% Loop
VI. Letter of Credit					
- Ambac or FSA Acceptable	Yes	Yes	No	No	Yes, but may not be necessary
- Other, if above not acceptable			Yes	Yes	
VIII Proposal					
- Necessary Approvals	Tax, Credit	Credit	Credit/Invest.	Credit/Invest.	Pending
- Time required for Approvals	3 wks.	2 wks.	3 wks.	3 wks.	Pending
- Expiration Date of Proposal	05/25/01	05/25/01	Pending		Pending
VIII. Description of Opinions					
- Lessee Advisors	Int. Rates	Pending	Pending		Pending
- Other Outside Consultants	Mercer/ Marsh & McLennan	Rail Expert	Mercer/Collateral Guaranty		Pending
- Type of Opinions of Outside Consultants	Contract Consulting Assistance	Service Contract Opinion	Service Contract Consulting/Residual Insurance		Pending
X. Other Requirements- Yes/No					
- Constraints on Useful Life/FMV of Equip	No	Pending	Yes	Yes	Pending
- Minimum Net Worth Requirements (100m)	Yes	Yes	Yes	Yes	Pending
- Non Discrimination IIRC-120 Form	Yes	Pending	Pending	Pending	Pending
- Members of Syndicate Group	ANZ, Comerica, Fifth Third, W. Fargo	Comerica, Wells Fargo, ANZ, unnamed investor	Stated Above		
- U Loan Pricing	Pending	100 Debt Drag			
		[illegible]	Pending	Pending	Pending

Exhibit I

Summary of Economic Proposals from Respondents

Cost of Services

	AIG	AMBAC	FSA / DEXIA
Series A Lender	25 bps of max loan amount *$903,753*	30 bps of max loan amount *$1,084,503*	25 bps of initial loan amount *$653,292*
GIC Provider	LIBOR – 15 bps (AIG Guarantee) *$48,553,272* LIBOR – 30 bps (AAA Corporate Collateral) *$50,422,341* LIBOR – 40 bps (US Agency Collateral) *$51,708,838*	LIBOR – 15 bps (AMBAC Guarantee) *$48,600,000* - LIBOR – 35 bps (US Agency Collateral) *$51,110,373*	LIBOR – 10 bps (FSA Guarantee + A1 Collateral) *$48,395,392* - -
Strip Insurance	25 bps p.a. pv'd at LIBOR *$2,425,672*	26 bps p.a. pv'd at LIBOR-15 bps *$2,456,448*	25 bps p.a. pv'd at 6% *$2,457,705*

Total Cost	*$51,882,697 (AIG Guarantee)* *$53,751,766 (AAA Collateral)* *$55,038,262 (Agency ")*	*$52,140,951 (AMBAC Guarantee)* - *$54,651,324 (Agency Collateral)*	*$51,506,389 (FSA Guarantee)* - -

Legal Counsel and Expenses

	AIG	AMBAC	FSA / DEXIA
Counsel	O'Melveny & Meyers	Cadwalader, Wickersham & Taft	White & Case
Capped Legal Fees?	Yes $140,000 Uncollaterized GICs $160,000 Collaterized GICs	Yes $175,000 for 5 weeks, time thereafter	Yes $150,000

U.S. Department
of Transportation
Federal Transit
Administration

Office of Chief Counsel
400 Seventh St., S W
Washington, D C 20590

FEB 11 2002

RECEIVED
PUBLIC TRANSPORTATION
DEPARTMENT

Mr. Michael T. Burns
General Manager
San Francisco Public Transportation
Department (MUNI)
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102

Re: Leveraged Lease Transaction -
Continuing approval & Clarification

Dear Mr. Burns:

Thank you for notifying FTA of the potential for an additional equity investor joining the leveraged lease-to-service contract transaction approved by the Administrator on January 29, 2002. This letter is confirmation of FTA's continued approval of the transaction, provided:

1. That the structure of the transaction is not otherwise materially altered from the structure reviewed by FTA; and
2. That the new equity investor is of comparable credit quality to the equity participants in the existing transaction.

In addition, in reply to a request from your financial advisor, for purposes of clarification, you may consider Conditions 3 and 4 in the September 28, 2001 [approval letter] as replaced with the following:

3. If MUNI should discontinue using the rail cars for mass transit purposes or does not repurchase all of the CIBC World Markets' and other equities' interests pursuant to Section 14 of the sublease agreement, MUNI must immediately notify FTA in writing. FTA then will issue instructions consistent with its rules and regulations. Currently those rules and regulations for rail cars are set forth in 49 CFR 18.32, FTA Circular 5010.1C, Grant Management Guidelines (October 1, 1998), and Section 19 of the FTA Master Agreement (MA-8).

4. Although FTA grants MUNI approval to enter into this lease transaction, such approval does not include prior approval of any service contract to be executed pursuant to Section 14(d) of the sublease agreement. MUNI must seek FTA approval of a specific service contract, if any, in the notification referred to in the preceding paragraph.

I look forward to hearing of the successful closing of this transaction.

Sincerely,

for ~~William~~ Sears
Chief Counsel

U.S. Department of Transportation

Federal Transit Administration

Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

JAN 29 2002

Mr. Michael T. Burns
General Manager
San Francisco Municipal Railway
401 Van Ness Avenue, Suite 334
San Francisco, CA 94102

Re: MUNI 2001 Statutory Trust and
Defeased Lease-Leaseback Transaction

Dear ~~Mr. Burns~~: Michael —

The Federal Transit Administration (FTA) has reviewed the draft operative documents describing a proposed U.S. leveraged lease (lease-to-service contract) involving 150 light rail cars, between the San Francisco Municipal Railway (MUNI) and CIBC World Markets Corporation with Comerica Leasing and Wells Fargo Equipment Finance, as the equity investors. This letter applies to both tranches of the light rail car lease. Based on FTA's review of these documents and of various supporting materials submitted by MUNI, I hereby approve this transaction.

It is my understanding that under this transaction, MUNI will lease up to 150 light rail cars built by Breda, with an appraised value of as much as $465 million, then lease back the rail cars under a lease-to-service contract for from 20 to 27 years, depending on the age of the equipment. At the fixed purchase option date, MUNI will be able to make a final payment based on a calculation agreed-upon at closing, thus clearing any encumbrances from this transaction.

FTA finds that this transaction as represented in the operative documents and supporting information conforms to FTA's guidelines concerning tax-advantaged leases. First, an economic analysis provided by MUNI indicates that the benefits to it will outweigh the costs of the transaction. Secondly, the draft operative documents indicate that MUNI will be able to ensure continued use of the vehicles in mass transit service, as required by the Federal Transit Laws (49 U.S.C. § 5301 et seq.) and Paragraph 7(c) of FTA Circular 7020.1, Cross-Border Leasing Guidelines (April 26, 1990). In particular, provisions of the sublease agreement governing quiet enjoyment, insurance and maintenance of the railcars ensure MUNI's continued possession and operation of the vehicles.

Finally, FTA finds that the operative documents adequately address indemnities, unwind risks, substitution for loss of equipment, and events of default. FTA reminds MUNI that notwithstanding such events, MUNI must meet its obligations under FTA regulations and the requirements of its grant agreement with FTA.

I therefore consent to MUNI's execution of this transaction, subject to the following conditions:

1. MUNI agrees to comply with the basic terms and conditions underlying FTA assistance agreements through which Federal funds were used to acquire the rail cars in question. I understand that these were purchased in part with Federal grant funds.

2. The transaction will be implemented and completed as described in the operative documents submitted to FTA seeking the agency's consent to the transaction.

3. If MUNI should discontinue using the rail cars for mass transit purposes or does not repurchase all of CIBC World Markets' and other equities' interests at the fixed purchase option date, MUNI must immediately notify FTA in writing. Notwithstanding any language to the contrary in the operative documents, MUNI is bound by, and FTA then will issue, instructions consistent with 49 CFR § 18.32 or 49 U.S.C. 5334 (g) and Paragraph 7(d) of FTA Circular 7020.1 (April 26, 1990, and as amended from time to time), as appropriate.

4. FTA's approval of this transaction does not include prior approval of any service contract to be executed pursuant to Section 14(d) of the sublease agreement. MUNI must seek FTA approval of any such contract in the notification referred to in the preceding paragraph.

5. MUNI shall notify FTA immediately of any material changes in its financial condition or in the terms of the transaction following the date of this finding to the end of the sublease term.

6. FTA may exercise its right to direct use of the program income earned by MUNI from this transaction to a particular capital or operating need.

7. Finally, upon closing this transaction, MUNI is required to provide FTA with the following information or material:

    a. Executed copies of the operative documents for the transaction and related opinions of counsel;

b. A separate set of the operative documents and related opinions of counsel, signed or unsigned *but as executed*, marked up to show any changes from the versions sent to FTA for approval;

c. Copies of all filings by MUNI regarding the transaction made with government agencies;

d. A statement of opinion by the equity investor that this transaction will generate a positive Federal income tax revenue over the anticipated term of the transaction;

e. A statement of the amount of proceeds from the transaction; and

f. A statement of the total costs of the transaction, including but not limited to, all fees paid by the lessee and lessor to any broker, arranger, financial institution, legal counsel, appraiser or other consultants or advisors.

FTA's consent to this transaction shall be void if there are any substantive or material changes in the terms reflected in the final draft operative documents submitted to us.

Sincerely,

Jenna Dorn

Jennifer L. Dorn

Municipal Transportation Agency
City and County of San Francisco

To: Members of Finance Committee
Board of Supervisors

From: Michael T. Burns
Director
Municipal Transportation Agency

Virginia Harrington
Deputy General Manager, Finance & Administration

Date: March 25, 2002

Subject: Issue of "Broken Deal Costs" Associated with the Proposed Muni Lease-Leaseback Transaction

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The purpose of this memorandum is to provide the Finance Committee with additional information regarding to topic of "broken deal costs" associated with the San Francisco Municipal Railway's proposed leveraged lease-leaseback transaction involving its Breda Light Rail Vehicles (the "Breda Vehicles").

This memorandum will supplement the information provided to the Finance Committee by Muni in separate memoranda, as well as information provided to the Budget Analyst.

In a March 21, 2002, memorandum to the Committee, Muni indicated that: "If the transaction does not close due to the lack of local approval, Muni will be liable for the legal fees, appraisal fees and certain other costs incurred in the preparation of the transaction. These "broken deal" costs are currently estimated at approximately $1.6 to $1.7 million, and would be paid from Muni's Operating Budget. Of that amount, $240,000 is for a transportation consulting firm (Mercer), $125,000 is for the Vehicle Appraiser (American Appraisal) and the remainder is for the attorneys representing the parties to the transaction."

This topic is further explained through a series of questions and answers below.

<u>How Did This Issue Arise?</u>

CIBC included a "broken deal" provision as part of their bid proposal, as did one other proposer (Fleet Capital). The other two equity investor proposals were not explicit regarding the provision.

Municipal Transportation Agency
City and County of San Francisco

What Does "Broken Deal" Mean?

The term "broken deal" refers to the failure of the transaction to close for any reason.

Is Muni Liable for All Broken Deal Costs Regardless of Why the Transaction Does Not Close?

No. For example, if the transaction failed to close as a result of a failure by Equity Investors to negotiate in good faith, then the Equity Investors would be liable to pay all Transaction Costs plus the fees and expenses of Muni's counsel.

Also, assuming no material adverse change in the credit of Muni, if the transaction failed to close as a result of the failure of the Equity Investors to receive their own internal approvals, then the Equity Investors would be liable to pay all Transaction Costs.

Under What Circumstances Could Muni be Liable for Broken Deal Costs?

In the event that the transaction does not close due to the lack of State legislation exempting the transaction from State and Local sales taxes (which was approved in October 2001), or Muni's inability to obtain approval from the MTA Board of Directors, the Board of Supervisors or the Mayor, then Muni could be liable for "broken deal" costs.

Why Are the Outside Counsel Paid Even if the Transaction Does Not Close?

It is standard industry practice in these transactions for the outside counsel to require payment for their services, even if the transaction does not close.

Is the MTA Board of Directors Aware of this Potential Liability?

Yes. Muni staff has discussed potential broken deal costs with the MTA Board in public meetings at each step of the process, in order to make certain that the Board of Directors was comfortable with proceeding with a lengthy transaction given the risk that it might not be completed.

Does the MTA Board of Directors Have the Authority to Pay Broken Deal Costs?

Yes.

Did Muni Take Steps to Limit Costs?

Yes. For example, during the period when the State Legislature was evaluating the sales tax waiver legislation, Muni directed its outside counsel to cease work in order to limit costs. The other parties to the transaction did the same.

Would Muni Attempt to Negotiate a Reduction in Broken Deal Costs?

Yes. Muni would attempt to negotiate a reduction in expenses for the broken deal costs with all of the parties involved. However, there is no guarantee that the amount finally owed would be less than the exposure that we have identified.

Has Muni Identified Funding for Any Broken Deal Costs?

Yes, funding has been set-aside for this purpose.

We hope that this helps to clarify the issue.

San Francisco Public Transportation Department

MUNI

401 Van Ness Avenue, Suite 334, San Francisco, CA 94102
Phone: 415.554.4129 Fax: 415.554.4143

January 24, 2002

Mr. Greg R. Hurst
Executive Director
CIBC World Markets Corp.
425 Lexington Avenue
New York, NY 10017

Dear Mr. Hurst:

RE: San Francisco Municipal Railway - Transaction Expense Letter

In connection with the Lease-to-Service Contract Transaction for approximately $465 Million of Muni Breda Light Rail Vehicles, the Municipal Transportation Agency of the City and County of San Francisco ("Muni") and CIBC World Markets Corp. ("CIBC") agree to the following:

Muni has informed CIBC that there are no tax-exempt financing issues associated with the equipment.

If the transaction fails to close as a result of a failure by Muni to negotiate in good faith, then Muni shall pay all Transaction Costs plus the fees and expenses of its counsel and advisors, if any.

If the transaction fails to close as a result of a failure by CIBC to negotiate in good faith, then CIBC shall pay all Transaction Costs plus the fees and expenses of Muni's counsel.

If the transaction fails to close as a result of (I) the fault of Muni including, the failure to receive all necessary approvals including, without limitation, (i) Muni's Board of Directors, (ii) the Finance Committee of the City and County of San Francisco Board of Supervisors, (iii) the City and County of San Francisco Board of Supervisors or (iv) the Mayor of San Francisco or (II) as a result of changes in the net upfront benefit to Muni as a result of changes in market interest rates then Muni shall pay all Transaction Costs.

If, assuming no material adverse change in the credit of Muni, the transaction fails to close as a result of the failure

of CIBC to receive its internal approvals, then CIBC shall pay all Transaction Costs.

If the transaction fails to close on or before March 15, 2002 for any other reason, then Muni shall be liable for the fees and expenses of its counsel and advisors, if any, CIBC shall be liable for the fees and expenses of its counsel and all remaining Transaction Costs shall be shared equally between Muni and CIBC, provided a new closing date has not be established as mutually agreed upon.

Dated: January 24, 2002

Municipal Transportation Agency of the City and County of San Francisco

By: Michael T. Burns

CIBC World Markets Corp.

By: [illegible]

Exhibit A

"Transaction Costs" means the fees and expenses (excluding Muni's counsel and advisors) but including the fees and expenses of special and local counsel) incurred by the Equity Investor(s), the Lender(s), and the Trust Company in connection with the negotiation, preparation, execution, delivery, filing and recording of the Operative Documents and the transactions contemplated thereby, including and in addition thereto, the following:

(i) the fees, expenses and disbursements of (A) Mayer Brown & Platt LLP, special New York counsel to the Equity Investor(s), and (B) Fulbright & Jaworski LLP, special California counsel to the Equity Investor(s) and (C) reading counsel, if any, to any one or more of the equity investors;

(ii) the fees, expenses and disbursements of Bingham, Dana & Gould LLP, Seed Mackall & Role LLP, special counsel to the Trustee and the Trust Company;

(iii) the fees, expenses and disbursements of (A) [Linklaters & Alliance], special New York counsel to the Lender(s), the Debt Payment Undertaker(s) and the issuer of the Surety Policy, and (B) Fulbright & Jaworski LLP, special California counsel to the Lender(s) and the Debt Payment Undertaker(s), (C) [__________________], special New York counsel to the Equity Payment Undertaker and the Equity Payment Undertaker Guarantor, if any.

(iv) the fees of American Appraisal Company;

(v) the fees of Mercer Management Consulting;

(vi) any other investor-related expense which CIBC and Muni mutually agree to.

Memo to Finance Committee
April 10, 2002 Finance Committee Meeting

Item 6 - File 02-0445

Departments: Department of Public Health (DPH)
Real Estate Division (RED)

Item: Resolution authorizing and approving the sale of real property consisting of five parcels located at 50 Raymond Avenue in San Francisco. The sale would be made by the City on behalf of the DPH to Visitacion Valley Community Center, Inc., a nonprofit organization, which would pay $1.00 to DPH for the sale of property known as Assessor's Block 6237, Lots 009 through 013. A finding would be adopted that the conveyance of 50 Raymond Avenue is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code Section 101.1; and a finding would be adopted that the conveyance is categorically exempt from compliance with the California Environmental Quality Act.

Description: The proposed resolution would authorize and approve the sale by the City, to the Visitacion Valley Community Center, Inc., a nonprofit organization, of five parcels of City-owned property known as Assessor's Block 6237, Lots 009 through 013, comprising 12,500 square feet, located at 50 Raymond Avenue. The Visitacion Valley Community Center, Inc., would pay one dollar ($1.00) to the City's DPH to acquire the property. The Attachment to this report provides a map of the subject property.

According to Ms. Jean Medlar of RED, on March 30, 1923, the Visitacion Valley Community Center, Inc. purchased the subject property from Samuel and Blanche Wormser for $7,010, with plans to provide a community recreational center in the future. In 1937, the Visitacion Valley Community Center, Inc., seeking a construction loan from the Federal Works Progress Administration (WPA) to construct the community recreational center facility and related improvements on the site, was mandated by the WPA to transfer the title of the subject property to a public entity in order to qualify for the WPA construction loan. According to Ms. Medlar, a resolution authorizing the transfer, from the Visitacion Valley Community Center, Inc. to the City, of a portion of the five parcels of the subject property, was approved by the

Board of Supervisors in December of 1937. A community center, known as Visitacion Valley Community Center was subsequently constructed on the subject site from WPA funds loaned to the Visitacion Valley Community Center, Inc. In January of 1943, the resolution was rescinded by the Board of Supervisors, and a new resolution was approved by the Board of Supervisors authorizing a transfer of all five parcels from the Visitacion Valley Community Center, Inc., to the City, at no cost to the City and placed the property under the jurisdiction of the DPH. The Visitacion Valley Community Center, Inc. has since leased the property from the City's DPH for $1.00 per year.

The subject property consisting of 12,500 square feet at 50 Raymond Avenue, is located between Bayshore Boulevard and Alpha Street. An approximate 9,000 square foot two story building, constructed with WPA funds, is located on the subject property. Since 1943, this building has housed the Visitacion Valley Community Center operated by the Visitacion Valley Community Center, Inc. According to Ms. Medlar, the community center provides educational, recreational and social services including after-school children's programs and English as a Second Language classes. According to Ms. Medlar, the most recent lease agreement between the City's DPH and the Visitacion Valley Community Center, Inc., covering the 25-year period from June 30, 1976 through June 30, 2001, has expired, and the Visitacion Valley Community Center, Inc. has since been leasing the property on a month-to-month basis. According to Ms. Medlar, the Board of Supervisors approved the 25-year lease in March of 1976. Under this subject proposed resolution, the title to the property would be conveyed back to Visitacion Valley Community Center, Inc. (see Comment 1).

Comments:

1. According to Ms. Monique Zmuda of DPH, DPH has no use for the subject property, and has never occupied the subject property. Therefore, the Health Commission has declared the subject property surplus to the needs of DPH. According to Ms. Medlar, because the building is not compliant with the Americans with Disabilities Act, has seismic hazards and needs a new roof, the subject property is considered a liability to the City. Ms. Zmuda

states that in March of 2001, the Health Commission recommended the conveyance of the property back to the Visitacion Valley Community Center, Inc. According to Ms. Medlar, the WPA mandate in 1937 was not a federal statute requiring that a public entity hold title to the subject property, but a loan requirement covering only the life of the loan, which according to Ms. Medlar, has been repaid in full by Visitacion Valley Community Center, Inc.

2. According to Ms. Medlar, the Visitacion Valley Community Center, Inc. has paid for all taxes, insurance and other property expenses, as well as for all repairs and maintenance costs related to the subject property since the property was transferred to the City. Ms. Medlar states that the Visitacion Valley Community Center, Inc. would pay for all escrow and closing costs related to the proposed sale of the subject property, estimated to cost $4,275. Ms. Medlar states that the City has not incurred any costs related to the subject property since the title to the property was transferred to the City in 1943.

3. According to Ms. Medlar, the deed conveying the property back to the Visitacion Valley Community Center, Inc. contains a power of termination clause, requiring that the premises be used as a community center open to the public in perpetuity. According to Mr. John Cooper of the City Attorney's Office, in the event that the property is no longer used as a community center open to the public, the City has the right to take back the title to the property. Under the Agreement for Purchase and Sale of Real Estate by and between the City and County of San Francisco and the Visitacion Valley Community Center, Inc., for the sale and purchase of 50 Raymond Avenue dated February 6, 2002, Exhibit C, The Deed states, "*This deed is made and acccpted on the condition that the Property conveyed and quitclaimed by this deed be used solely as a community recreation center in perpetuity, providing educational, recreational and social services to the community. In the event that the Property is not used solely and perpetually as a community recreation center then City, without paying compensation for the Property or any Grantee improvements, and without making any compensation or incurring any liability for damages or*

losses of any kind, shall have the power to terminate all right, title and interest in the Property conveyed and quitclaimed by this deed to Grantee, its heirs, successors and assigns, in the manner provided by law for the exercise of the power of termination. Immediately upon such termination, Grantee and its heirs, successors and assigns shall forfeit all rights, title and interest to the Property, and the Property shall revert to the City."

4. According to Ms. Medlar, the subject land and the community center facility have a fair market value of between $1.4 million and $1.5 million.

Recommendation: Approval of the proposed resolution is a policy decision for the Board of Supervisors.

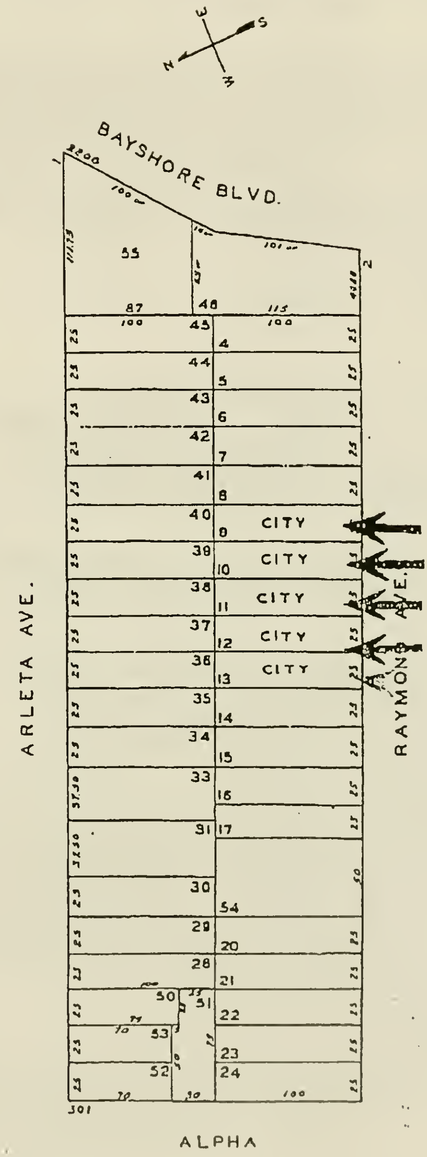
Attachment

6237

REIS TRACT BLK 65

LOTS MERGED
LOT 32 INTO LOT 31 1956
" 32A " " 33 "

REVISED	'61
"	'64
"	'67
"	'69
"	'82



Item 7 - File 02-0137

Department: Sheriff's Department

Item: Ordinance appropriating $1,896,196 from the General Fund Reserve, $2,793,734 from the U.S. Bureau of Justice Assistance, and reappropriating $300,000 from Services of Other Departments for a total of $4,989,930 to cover a projected FY 2001-2002 shortfall in the Sheriff's Department for Salaries, Overtime and Retirement Payoffs.

Amount: $4,989,930

Source of Funds:

	Amount
General Fund Reserve	$1,896,196
U.S. Bureau of Justice Assistance	2,793,734
Services of Other Departments – Light, Heat and Power	300,000
Total	$4,989,930

Budget: This supplemental appropriation totaling $4,989,930, would be expended as follows:

	Amount
Permanent Salaries – Uniform	$1,361,918
Overtime	3,361,150
One-time Retirement Payoffs	266,862
Total	$4,989,930

Description: The Sheriff's Department is requesting a General Fund supplemental appropriation in the amount of $4,989,930 for Salaries for uniform positions, Overtime pay, and Retirement payoffs. Retirement Payoffs are one-time payments compensating employees for payments owed for accrued vacation, sick leave and holiday pay when the employee retires.

The Controller's Office has projected a total Salary and Fringe Benefit deficit, including Overtime and Retirement Payoffs, of $6,127,266 as of the pay period ending March 15, 2002. The following table provides a summary of actual expenditures for Salaries and Fringe Benefits,

including Overtime Pay and Retirement Payoffs, as of March 15, 2002 and projected expenditures through June 30, 2002:

Controller's Projection – Sheriff's Department General Fund Expenditures for Overtime Only and Total Salaries and Fringe Benefits, including Overtime and Retirement Payoffs, through June 30, 2002.

	FY 2001-2002 Revised Budget	Actual Expenditures Through Pay Period Ending 3/15/2002	Projected Expenditures Through June 30, 2002*	Projected Surplus (Deficit)
Overtime	$1,793,396	$4,424,074	$6,152,044	($4,358,648)
Total Salaries and Fringe Benefits, including Overtime and Retirement Payoffs	$63,547,764	$49,841,998	$69,675,030	($6,127,266)

*Projections based on average spending per pay period, as of 3/15/2002, projected for the remainder of the Fiscal Year.

As summarized in the table above, the Controller's projections show that:

- Through March 15, 2002 (or 17.5 of 26.0 pay periods in FY 2001-2002) the Sheriff's Department has already expended $4,424,074 for Overtime or 146.7 percent in excess of its total Revised Budget of $1,793,396.
- Based on actual Overtime expenditures incurred through the pay period ending March 15, 2002, the Controller projects that the Sheriff's Department will spend a total of $6,152,044 on Overtime, as of June 30, 2002, or 243 percent in excess of its total Revised Overtime Budget of $1,793,396.
- For all Salaries and Fringe Benefit expenditures, including Overtime Pay and Retirement Payoffs, the Controller projects that the Sheriff's Department will incur total General Fund expenditures of $69,675,030 in FY 2001-2002, which is $6,127,266 or 9.6 percent more than the FY 2001-2002 revised budget of $63,547,764.

The following table provides a summary of the Controller's projections for General Fund surpluses and deficits for salaries and fringe benefits for the Sheriff's Department for Fiscal Year 2001-2002:

Item	Projected Surplus/(Deficit)
Permanent Salaries – Miscellaneous	$366,000
Permanent Salaries – Uniform	(1,581,515)
Temporary Salaries, Premium Pay, Holiday Pay	(401,872)
One-Time Retirement Payoffs	(279,464)
Overtime	(4,358,648)
Fringe Benefits	128,232
Net Total	($6,127,267[1])

In addition to this request for $4,989,930, the Sheriff's Department would also receive $710,366 for primarily Overtime from a supplemental appropriation for the Department of Elections which, as of the writing of this report, was passed on first reading by the Board of Supervisors. Therefore total funding of $5,700,296 has been requested ($4,989,930 plus $710,366) or $426,970 less than the Controller's projected deficit of $6,127,266.

Comments:

1. The Sheriff's revised General Fund FY 2001-2002 budget includes $1,793,396 for Overtime expenditures. The Mayor's Recommended FY 2001-2002 budget submitted to the Board of Supervisors in June of 2001 contained total Overtime funding, including Work Order funds and Grant funds, of $2,075,151. The Budget Analyst projected during the FY 2001-2002 budget hearings that the Sheriff's Department would need $5.5 million for Overtime. The Sheriff's Department concurred with the Budget Analyst's projections of total Overtime expenditures of $5.5 million. The subject request pertains only to General Fund Overtime expenditures and does not pertain to Overtime funded from work orders and grants.

2. According to Ms. Jean Mariani of the Sheriff's Department, the Department has increased management controls over jail staffing since July 1, 2001, in order to

[1] The difference between this table total and previous table total of $1 is due to rounding.

reduce Overtime spending from prior year levels. Also, the Sheriff's Department has experienced lower attrition rates than assumed in the FY 2001-2002 budget. Lastly, the Sheriff's Department reports that overall absenteeism is lower than historical levels, thus reducing the need for Overtime to backfill for absences. The combined effect of the improved management controls, lower attrition rates and lower absenteeism would have resulted in lower overtime spending than the Budget Analyst's June of 2001 projection of $5.5 million. However, as a result of increased security due to the events of September 11, 2001 and the need for staffing to provide security for the elections held in November and December of 2001 and March of 2002, the need for Overtime by the Sheriff's Department has increased.

3. According to Ms. Mariani, the Sheriff's Department's spending plan reflects reduced Overtime spending for the remaining pay periods of FY 2001-2002 due to the graduation of an Academy class of 23 Deputies in the first week of April who will be assigned to the jails and a second Academy class of 18 Deputies graduating in June, who will also be assigned to the jails, for a total of 41 new sworn Deputies. The addition of these new Sheriff's Deputies will result in increased permanent staffing in the jails and therefore should result in reduced Overtime spending for the balance of Fiscal Year 2001-2002. The Sheriff's Department spending plan for the remainder of FY 2001-2002 therefore shows a reduction of Overtime spending during the last three months of Fiscal Year 2001-2002 as the new Sheriff's Academy graduates are assigned to full duty.

4. Based on the expenditure data submitted by the Sheriff's Department, including expenditures for Permanent Salaries – Uniform, Overtime and one-time Retirement Payoffs, the Budget Analyst concludes that the Sheriff will need at least this entire request of $4,989,930.

Recommendation: Approve the proposed supplemental appropriation ordinance.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

Wednesday, April 17, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

MEETING CONVENED

The meeting convened at 12:35 p.m.

020390 **[Administrative Code Revision: Health Service System]**

Supervisor McGoldrick

Ordinance amending Chapter 16, Article XV, of Part 1 of the San Francisco Municipal (Administrative) Code by amending Section 16.703 regarding Board approval of Health Service System Plans and Contribution Rates. (Human Resources Department)

(Fiscal impact.)

3/11/02, RECEIVED AND ASSIGNED to Finance Committee.

3/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Yvonne Hudson, Health Service System; Mike Kramer, Towers Perrin.
Continued to 4/10/02.

4/10/02, CONTINUED. Speakers: None.
Continued to 4/17/02.

Heard in Committee. Speakers: Ms. Gin; Ray Mason, President, Retired Employees Association; Harvey Rose, Budget Analyst; Andrea Gourdine, Human Resources Director; Theodore Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

012003 **[Retirement Benefits]**

Supervisor McGoldrick

Ordinance amending Administrative Code Section 16.37-1 to provide for the setting of interest and mortality rates for retirement allowances.

11/5/01, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 12/5/2001. 2/28/02 - The Retirement System transmitted an actuarial cost and effect report.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Claire Murphy, Executive Director, Employees' Retirement System; Theodore Lakey, Deputy City Attorney.
Amended on page 1, line 3, by deleting "and mortality." Amended on page 1, line 10, by deleting "and mortality" and "Tables." Further amended on page 1, line 13, by deleting "mortality tables and."

AMENDED.

Ordinance amending Administrative Code Section 16.37-1 to provide for the setting of interest rates for retirement allowances.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020551 **[Year 2002 Annual Joint Fundraising Drive Application and Designation Deadlines]**

Mayor

Ordinance amending Section 16.93-4 of the San Francisco Administrative Code, which establishes March 1 of each year as the deadline for agencies who wish to participate in the Annual Joint Fundraising Drive to submit their applications, and which establishes May 1 of each year as the deadline for the Board to designate those agencies that qualify to participate in the City's Annual Drive for that year, to allow any Mayor's Fund to submit by April 15, 2002, their application to participate in the 2002 Annual Drive, and to allow the Board to designate those agencies that qualify to participate in the City's Annual Drive for 2002 by June 1, 2002. (Mayor)

4/8/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ryan Brooks, Director, Department of Administrative Services; Peg Stevenson , Controller's Office; Jeff Mori, San Francisco Youth Fund; Theodore Lakey, Deputy City Attorney; Sandra Carr, Bay Area Black United Fund; Jennifer Durney, Local Independent Charities; Jim Hill, International Service Agencies; Michael Gulley, United Way of the Bay Area; Captain John Ehrlich, Police Department, Chair of the Annual Joint Fundraising Drive.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020241 **[2002 Annual Joint Fundraising Drive]**

Hearing to consider applications from various agencies to participate in the 2002 Annual Joint Fundraising Drive.

2/15/02, RECEIVED AND ASSIGNED to Finance Committee. 2/15/02 - From Bay Area Black United Fund, Inc.
2/15/02 - From Community Health Charities
2/20/02 - From Mayor's Office of Homelessness
2/22/02 - From Local Independent Charities of America
2/27/02 - From Earth Share of California
2/28/02 - From International Service Agencies
2/28/02 - From United Way of the Bay Area
3/01/02 - From Private Industry Council of San Francisco
3/15/02 - From San Francisco Youth Fund
4/02/02 - From Local Independent Charities of America, amended list of 2002 LIC member Charities

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ryan Brooks, Director, Department of Administrative Services; Peg Stevenson , Controller's Office; Jeff Mori, San Francisco Youth Fund; Theodore Lakey, Deputy City Attorney; Sandra Carr, Bay Area Black United Fund; Jennifer Durney, Local Independent Charities; Jim Hill, International Service Agencies; Michael Gulley, United Way of the Bay Area; Captain John Ehrlich, Police Department, Chair of the Annual Joint Fundraising Drive.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020534 [MOU Amendment No. 2, Collective Bargaining between MEA and CCSF]

Mayor

Ordinance adopting and implementing Amendment No. 2 to the 2001-2003 Collective Bargaining Agreement between the Municipal Executives' Association and the City and County of San Francisco by amending Article III and adding Appendix H to incorporate the parties' agreements regarding specified wage adjustments and to correct clerical errors. (Mayor)

4/3/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled at the April 17, 2002 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employees Relations Division, Department of Human Resources.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020472 [Mayor's Summer Food Service Program]

Mayor

Resolution authorizing the Department of Children, Youth and Their Families to accept and expend a grant in the amount of $575,000 from the United States Department of Agriculture for Mayor's Summer Food Service Program. (Mayor)

3/27/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Camille Wise, Summer Food Program Coordinator, Department of Children, Youth and Their Families.

Amended on lines 4 and 18, by replacing "in the amount of $575,000" with "up to $484,000."

AMENDED.

Resolution authorizing the Department of Children, Youth and Their Families to accept and expend a grant up to $484,000 from the United States Department of Agriculture for Mayor's Summer Food Service Program. (Mayor)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

011737 [Water Pipeline Replacement]

Resolution authorizing the execution and performance of an Exchange Agreement with the City of Brisbane relating to the replacement of Crystal Springs Pipeline Number 1. (Real Estate Department)

10/3/01, RECEIVED AND ASSIGNED to Finance Committee.

10/24/01, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speaker: Ken Bruce, Budget Analyst's Office.

4/3/02, SUBSTITUTED. Substituted by Real Estate Department 4/3/02, bearing same title.

4/3/02, ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the April 17, 2002 meeting.

Heard in Committee. Speakers: Marc McDonald, Director of Property, Real Estate Division, Department of Administrative Services; Anastasio Mavroudis, Project Manager, Utilities Engineering Bureau, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020465 **[Regulation of Newsracks; Amendment of Fixed Pedestal Newsrack Program]**

Ordinance amending the San Francisco Public Works Code, Article 5.4, by repealing the existing Section 184.12 and enacting a new Section 184.12 regulating the placement and maintenance of newsracks on public streets, sidewalks and rights-of-way to prohibit freestanding newsracks in specified areas of the City, authorizing the creation of fixed pedestal zones in specified areas of the City, and authorizing the Director of Public Works to select and enter into agreements with vendors to provide and maintain fixed pedestal newsracks. (City Attorney)

(Supervisor Daly dissenting in Committee.)

3/20/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

4/9/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Wayne Snodgrass, Deputy City Attorney; Dede Wortman, San Francisco Beautiful; Bruce Brugmann, San Francisco Bay Guardian; Allen Freeland, San Francisco Chronicle; Gordon Reynolds, San Francisco Downtown Magazine, Mr. Solomon.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

020466 **[Contract - CCSF and Clear Channel Adshel, Inc.]**

Ordinance approving the First Amended and Restated Pedestal-Mounted Newsrack Agreement By and Between the City and County of San Francisco and Clear Channel Adshel, Inc., which allows for the provision, installation, and maintenance of pedestal-mounted newsracks on public property; approving an indemnification of the contractor by the City for specified claims initiated by publishers or other specified claimants, concerning the fixed pedestal program, the fixed pedestal units, their operation, or the agreement with Clear Channel Adshel, Inc., and for specified claims including bodily injury or property damage arising from the City's performance of said agreement; and authorizing the Director of the Department of Public Works to make changes to the Department of Public Works Director's Orders incorporated by reference in the agreement with Clear Channel Adshel, Inc. (City Attorney)

(Supervisor Daly dissenting in Committee.)

3/20/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

4/9/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Wayne Snodgrass, Deputy City Attorney; Dede Wortman, San Francisco Beautiful; Bruce Brugmann, San Francisco Bay Guardian; Allen Freeland, San Francisco Chronicle; Gordon Reynolds, San Francisco Downtown Magazine; Mr. Solomon.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

LITIGATION

Conference with City Attorney

[Convene in Closed Session]
Motion that the Finance Committee of the Board of Supervisors convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlements in the lawsuits or claims listed below.

Unanimous vote to convene in closed session by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020464 **[Settlement of Lawsuit]**
Ordinance authorizing settlement of the lawsuit filed by New Times, Inc., San Francisco Newspaper Printing Company, Inc., Gannett Satellite Information Network, Inc., The New York Times Company, San Jose Mercury News, Inc., Los Angeles Times, Dow Jones & Company, Inc., Bay Guardian Company, Inc., and United Advertising Publications, Inc. against the City and County of San Francisco for $85,000; the lawsuit was filed on January 5, 1999, in the United States District Court for the Northern District of California, Case No. C-99-0020 (WHA); entitled New Times, Inc., et al., v. City and County of San Francisco, et al.; other material terms of said settlement are the City's amendment of San Francisco Public Works Code Section 184.12, the Director of Public Works' promulgation of amended guidelines, and the City's approval of the First Amended and Restated Pedestal-Mounted Newsrack Agreement by and between the City and County of San Francisco and Clear Channel Adshel, Inc. (City Attorney)

(Companion measure to Files 020465, 020466.)
(Supervisor Daly dissenting in Committee.)
3/20/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.
4/9/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Wayne Snodgrass, Deputy City Attorney; Dede Wortman, San Francisco Beautiful; Bruce Brugmann, San Francisco Bay Guardian; Allen Freeland, San Francisco Chronicle; Gordon Reynolds, San Francisco Downtown Magazine, Mr. Solomon.

RECOMMENDED by the following vote:
Ayes: 2 - Peskin, Ammiano
Noes: 1 - Daly

Report on Closed Session

Deputy City Attorney Ted Lakey reported that the Finance Committee has met in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding settlements in the lawsuits or claims listed above.

[Elect Not to Disclose]
Motion that the Committee finds that it is in the best interest of the public that the Committee elect at this time not to disclose its closed session deliberations concerning the anticipated litigation listed above.

Unanimous vote not to disclose discussion to the public by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 3:32 p.m.

CITY AND COUNTY OF SAN FR[Budget Analyst Report]
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5

BOARD OF SUPERVISORS

02

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 11, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: April 17, 2002 Finance Committee Meeting

Item 1 - File 02-0390

Note: This item was continued by the Finance Committee at its meeting of April 10, 2001.

1. The proposed ordinance would amend Section 16.703 of the Administrative Code to approve the City's FY 2002-2003 Health Service System plans and rates of contributions, as adopted by the Health Services Board, to be paid by members of the System. The members of the System include employees and members of Boards and Commissions, retirees, and the spouses, domestic partners, dependents, and surviving spouses of these groups for the City and County of San Francisco, Community College District, and the San Francisco Unified School District.

HEALTH PLANS

2. The Board of Supervisors previously adopted a resolution (File 02-0096) setting the City's contribution to the Health Service Fund for FY 2002-2003 at $246.69 per month for each member. The City's contribution was established in accordance with Charter Sections A8.423 and A8.428, which set the average contribution rate based on a survey of the 10 most populous counties in California (excluding San Francisco). The City's contribution of $246.69 per month ($2,960.28 annually) represents an increase of $32.76 per month, or approximately 15.3 percent, from the FY 2001-2002 rate of $213.93 per month ($2,567.16 annually).

3. Once the City's contribution is established, member contributions are calculated by the Health Service System actuary, Towers Perrin, Consulting Actuaries, in order to ensure that contributions from all sources will be adequate to support anticipated claims for the upcoming fiscal year. This report is based on data provided by Towers Perrin in a March 8, 2002 letter to the Board of Supervisors. The proposed ordinance would establish member contribution rates for FY 2002-2003 in accordance with Charter Sections A8.421 and A8.422. Contribution rates

vary depending upon: (1) the member's status (active employee, retiree, etc.); (2) whether or not that individual has Medicare coverage; and (3) which of the City's health plans the member elects to join. The actuarial report and details of the member contribution rates are contained in the file of the Clerk of the Board.

4. Ms. Yvonne Hudson of the Health Service System advises that as of March 1, 2002, 38,474 active employees, including San Francisco Unified School District and the Community College District employees, were covered by the System, with an additional 1,399 who chose not to be covered but who may request coverage in the future. Ms. Hudson advises that the System covers 15,368 retirees and that an additional 977 retirees are eligible to request coverage.

The City Health Plan (which is administered by the City's Health Service System) and Kaiser, Health Net, and Blue Shield (all HMOs) will be offered in FY 2002-2003. The Health System Board voted to offer Blue Shield coverage to retirees for the FY 2002-2003 year to increase the options available to retirees. In FY 2001-2002, retirees' plan choices were limited to the City Health Plan, Health Net and Kaiser.

5. Changes to the City Health Plan benefits in FY 2002-2003 include:

- Coverage for hearing aids was increased to a $2,500 maximum benefit during any three-year period. Hearing aids were previously subject to an annual $1,000 maximum.

6. The following changes were made in benefits for FY 2002-2003 HMO members:

Blue Shield

- Pharmacy copay increased from $5 to $10 for formulary[1] brand-name[2] drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic[3] drugs remained at $5.
- Hearing aid benefit limit increased from $1,000 to $2,500 per three-year period.
- Infertility benefit modified from one course of treatment per plan year to three courses of treatment per lifetime.

Health Net

[1] A formulary is a list of both generic and brand name drugs that are preferred by a health plan. Health plans will choose formulary drugs that are just as safe and effective as drug alternatives but cost less.

[2] A brand-name drug is supplied by one company (the pharmaceutical manufacturer). The drug is protected by a patent and is marketed under the manufacturer's brand name.

[3] A generic medication is a copy of the brand name drug that can be sold after a manufacturer's drug patent expires. A generic drug is marketed under its chemical name.

- Pharmacy copay increased from $5 to $10 for formulary brand-name drugs and $15 to $20 for non-formulary drugs. The pharmacy copay for formulary generic drugs remained at $5.

Kaiser

- Pharmacy copay increased from $5 to $10 for brand-name drugs. The pharmacy copay for generic drugs remained at $5.
- Hearing aid benefit limited to $2,500 every three years. Previously the benefit was unlimited.
- Infertility benefit modified from gamete intrafallopian transfer (GIFT) only to three courses of in-vitro fertilization, GIFT or zygote intrafallopian transfer (ZIFT) per lifetime at 50% copay.

7. A comparison of the FY 2001-2002 monthly rates to be paid by active City employees with the FY 2002-2003 rates adopted by the Health Service Board is shown on Table 1:

Table 1
Monthly Health Plan Rates to be Paid by Active City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Employee	$104.86	$118.85	$13.99	13.3%
Employee plus one dependent	328.72	482.39	153.67	46.7%
Employee plus two dependents	559.47	774.81	215.34	38.5%
Kaiser				
Single Employee	0.00	0.00	0.00	0.0%
Employee plus one dependent	203.25	237.10	33.85	16.7%
Employee plus two dependents	371.95	433.89	61.94	16.7%
Health Net				
Single Employee	3.27	18.07	14.80	452.6%
Employee plus one dependent	219.51	281.87	62.36	28.4%
Employee plus two dependents	399.66	501.45	101.79	25.5%
Blue Shield				
Single Employee	5.17	3.10	(2.07)	(40.0%)
Employee plus one dependent	223.28	251.89	28.61	12.8%
Employee plus two dependents	404.24	458.02	53.78	13.3%

See Comment No. 1 for discussion of the potential impact of MOUs on employee's contributions.

8. A comparison of the FY 2001-2002 monthly rates paid by retired City employees who are enrolled in the Health Service System with the proposed FY 2002-2003 rates adopted by the Health Service Board is shown on Table 2 on the following page:

Table 2
Monthly Health Plan Rates to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
City Health Plan				
Single Subscriber (w/o Medicare)	$52.43	$59.42	$6.99	13.3%
Subscriber plus one dependent (both w/o Medicare)	164.36	241.19	76.83	46.7%
Single Subscriber (w/ Medicare)	27.43	32.42	4.99	18.2%
Subscriber plus one dependent (both w/ Medicare)	127.31	166.29	38.98	30.6%
Kaiser Health Plan				
Single Subscriber (w/o Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/o Medicare)	101.62	118.55	16.93	16.7%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	52.73	94.71	41.98	79.6%
Health Net				
Single Subscriber (w/o Medicare)	1.63	9.03	7.40	454.0%
Subscriber plus one dependent (both w/o Medicare)	109.75	140.93	31.18	28.4%
Single Subscriber (w/ Medicare)	0.00	0.00	0.00	0.0%
Subscriber plus one dependent (both w/ Medicare)	94.63	136.02	41.39	43.7%
Blue Shield				
Single Subscriber (w/o Medicare)	--	1.55	--	--
Subscriber plus one dependent (both w/o Medicare)	--	125.94	--	--
Single Subscriber (w/ Medicare)	--	0.00	--	--
Subscriber plus one dependent (both w/ Medicare)	--	183.73	--	--

9. The increases for Medicare retirees are dictated largely by the formula by which HMOs are reimbursed for Medicare members by the Federal Centers for Medicare and Medicaid Services (CMS, formerly the Federal Health Care Financial Administration). In the past, CMS reimbursement enabled the HMOs to provide health care to Medicare retirees at a reasonable cost; however, the Federal Balanced Budget Act of 1997 changed the formula used to calculate the HMOs' reimbursements. The result was that CMS reimbursements are no longer keeping pace with the cost of health care, and the HMOs make up the shortfall by increasing premiums paid by retired City employees.

VISION PLAN BENEFITS

10. Members enrolled in any of the medical plans offered by the Health Services System also receive vision benefits. All Kaiser members receive vision benefits from Kaiser. All other medical plan enrollees receive vision benefits insured by Vision Service Plan (VSP). Vision plan enrollment is combined with medical plan enrollment, and the cost of the vision benefit is a component of the cost of the medical plan.

VSP offered the City a 7% decrease in premium rates, with the new rates guaranteed for 24 months through June 30, 2004. There were no changes in the benefits offered by VSP.

DENTAL PLAN BENEFITS

11. The Health Service System will continue to offer three dental plans to members: an indemnity plan administered by Delta Dental and two prepaid plans, PMI and Pacific Union. The City pays the full cost of Dental benefits for active employees. The Health Service System, effective July 1, 2001, no longer offers dental coverage to the Community College and San Francisco Unified School District because these employees are offered dental coverage through their respective employers.

According to Ms. Hudson, as of March 1, 2002, 28,773 active employees were enrolled in City dental plans and 6,518 retirees were enrolled in dental plans.

12. The Delta Dental Plan for active employees is self-insured and Towers Perrin's evaluation of claim experience determined that no change should be made in the rates used by the City to fund the plan. In addition, Delta Dental requested no change in the rates for the insured plan for retirees. PMI requested no change in active employees and retirees rates. Pacific Union requested no change in active employees and retirees rates.

13. While retirees may choose from the same three dental plans, the benefits and rates differ from those for active employees.

14. A comparison of the FY 2001-2002 and FY 2002-2003 monthly premium rate schedules for employer contributions of the three dental plans is shown below in Table 3, and indicates that there would be no changes in dental plan rates:

Table 3

Monthly Dental Plan Rates to be Paid by the City for Active City Employees FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Employee	$55.26	$55.26	$0.00	0.0%
Employee plus one dependent	90.80	90.80	0.00	0.0%
Employee plus two dependents	136.51	136.51	0.00	0.0%
PMI				
Single Employee	22.17	22.17	0.00	0.0%
Employee plus one dependent	36.58	36.58	0.00	0.0%
Employee plus two dependents	54.09	54.09	0.00	0.0%
Pacific Union				
Single Employee	25.71	25.71	0.00	0.0%
Employee plus one dependent	42.44	42.44	0.00	0.0%
Employee plus two dependents	62.76	62.76	0.00	0.0%

15. A comparison of the monthly premium rates to be paid by retired City employees for the FY 2001-2002 and FY 2002-2003 dental plans is shown below in Table 4, and reflects that there would be no changes in dental plan rates:

Table 4
Dental Plan Monthly Premiums to be Paid by Retired City Employees
FY 2001-2002 and FY 2002-2003

	2001-2002 Monthly Rates	2002-2003 Monthly Rates	Monthly Increase/ (Decrease)	Percentage Increase (Decrease)
Delta Dental				
Single Retiree	$33.76	$33.76	$0.00	0.0%
Retiree plus one dependent	67.60	67.60	0.00	0.0%
Retiree plus two dependents	102.11	102.11	0.00	0.0%
PMI				
Single Retiree	28.09	28.09	0.00	0.0%
Retiree plus one dependent	46.35	46.35	0.00	0.0%
Retiree plus two dependents	68.55	68.55	0.00	0.0%
Pacific Union				
Single Retiree	15.24	15.24	0.00	0.0%
Retiree plus one dependent	25.16	25.16	0.00	0.0%
Retiree plus two dependents	37.20	37.20	0.00	0.0%

Comments

1. Many of the City's MOUs include provisions whereby the City pays a portion of the employee's contribution for health and dental benefits. Such payments by the City are not reflected in the data provided by the Health Service System shown in the tables of this report. Ms. Donna Marchuk of the Department of Human Resources advises that the majority of City workers are covered by MOUs which provide in FY 2002-2003 that the full employee premium for single employees is paid by the City and up to 75 percent of the rate of the employee costs for Kaiser coverage for the employee plus two dependents is paid by the City. Ms. Hudson notes that 75 percent of the employee costs for Kaiser coverage for the employee plus two dependents was $278.96 in FY 2001-2002 (.75 x $371.95) and will be $325.42 in FY 2002-2003 (.75 x $433.89).

As a result, contrary to the data shown in Table 1, many of the City's MOUs provide that single employees enrolled under the City Health Plan paid nothing in FY 2001-2002 (instead of a rate of $104.86 per month) and would again pay nothing

under the proposed FY 2002-2003 rates (instead of the rate of $118.85 per month). Furthermore, many of the City's MOUs provided that employees with one dependent enrolled in the City Health Plan in FY 2001-2002 paid $49.76 per month (City Health Plan rate of $328.72 less the City paid benefit of $278.96) instead of $328.72 and would pay $156.97 per month (City Health Plan rate of $482.39 less the City paid benefit of $325.42) instead of $482.39 in FY 2002-2003.

Ms. Marchuk reports that, to date, two of the City's 46 MOUs remain to be renegotiated this year and each will be retroactive, covering the period of July 1, 2001 through June 30, 2003. Ms. Marchuk also notes that the Underrepresented Employees Ordinance remains to be renegotiated for FY 2002-2003. These MOUs and the Underrepresented Employees Ordinance will be subject to the approval of the Board of Supervisors.

2. The Towers Perrin report notes several actions intended to minimize the potential for errors in employee communications and in plan administration:

- All vendors were asked to provide their signed acceptance of the rates to be used by the Health Service System. These approvals have been obtained and are on file with the Health Service System staff.

- Towers Perrin is reviewing the contribution tables to be included in the open enrollment communications that will be provided to employees and retirees.

- Towers Perrin will be reviewing the rates entered into the Health Service System's Membership Accounting System (MAS) to ensure the accuracy of the data entered into the MIS, including health care plan costs, City contributions and employee contributions.

3. The Towers Perrin letter concludes that the actions taken by the Health Service Board in the areas of benefit design, rating and reserving are consistent with Towers Perrin's recommendations and conform to a reasonable actuarial standard of plan management. Mr. Michael Kramer of Towers Perrin advises that "reserving" means the calculation of the amount of money that the Health Services Trust Fund needs to maintain to cover its obligations for claims incurred but not yet paid and for anticipated fluctuations in claims.

4. In response to questions raised at the March 27, 2002 Finance Committee meeting, Ms. Yvonne Hudson, the Deputy Director of the Health Service System, has provided the attached memorandum. As noted on the Attachment, Ms. Hudson reports that the Health Service System Trust Fund balance as of June 30, 2001 is $34,768,366, which includes a $22.9 Trust Fund surplus and a $11.9 million reserve for any unanticipated fluctuations in claims. The total targeted Trust Fund Reserve, however, Ms. Hudson notes is $22.8 million, which includes (1) a $10.9 million reserve for anticipated dental claims against the Delta Dental Plan and

medical and pharmacy claims against the City Health Plan, also referred to as claims incurred but not reported (IBNR), and (2) the above-noted $11.9 million reserve for any unanticipated fluctuations in claims. Ms. Hudson advises that the total targeted Trust Fund Reserve is based on the experience of Towers Perrin with similar large, public and private single-employer trust funds throughout the nation and the City Charter's requirement that the Health Service System Fund carry sufficient resources to pay all City Health Plan claims. Ms. Hudson notes that there are few trust funds in other jurisdictions which are truly comparable with San Francisco's Health Service System Trust Fund because the City Charter prevents the Health Service System Fund from drawing on the General Fund to pay for claims incurred under the City Health Plan, in the event that the Trust Fund cannot meet its obligations. As a result, Ms. Hudson reports, the targeted Trust Fund Reserve (presently $22.8 million) of the Health Service System Trust Fund requires higher balances than the trust funds of other large single-employer trust funds.

Ms. Hudson notes that the Health Service System Trust Fund surplus has allowed the Health Service Board to increase the subsidy of the member rates for the City Health Plan from $1.5 million in FY 2001-2002 to $3.0 million in FY 2002-2003. For example, according to Ms. Hudson, for a single employee covered by the City Health Plan, the employee's contribution was reduced by $25.81 per month, from $144.66 per month (without such a subsidy) to the rate shown in Table 1 of $118.85 per month. As noted in the Attachment, the $3.0 million subsidy for the City Health Plan rates for FY 2002-2003 represents approximately 13 percent of the $22.9 million of the Trust Fund surplus. As further noted by Ms. Hudson in the Attachment, it is advisable to spread the Trust Fund surplus against Health Service System member rates over several years in order to reduce the impact of member contributions when the subsidy may no longer exist. Ms. Hudson reports that the Health Service Board favored providing a subsidy only for members enrolled in the City Health Plan and not for the three HMO medical plans, which are offered to employees by the City, because the Trust Fund is assuming all of the risks related to the City Health Plan, and the Trust Fund does not assume risks related to the HMO plans.

Ms. Hudson advises that the Health Service Board also voted to continue for FY 2002-2003 all of the same dental plan rates that existed during FY 2001-2002 and the application of a subsidy from the Trust Fund for such dental rates was not considered.

Ms. Hudson reports that the significant increase in member rates in some of the City's health plans being offered to members is due to the overall increase in medical and pharmacy costs coupled with the Health Service Board's decision to institute rate realignments for the City plan and the HMOs, which increased costs for both employees with dependents and retirees without Medicare, to more

accurately reflect the health care costs of active employees, employees with dependents and non-Medicare retirees. Furthermore, Ms. Hudson reports that the increase in rates for HMO coverage was due to the increased rates requested by the HMOs, which Towers Perrin determined to be justified. Ms. Hudson notes that the increased costs for retirees with Medicare were largely dictated by the formula for which HMOs are reimbursed by the U.S. Centers for Medicare and Medicaid Services. Ms. Hudson further advises that dental rates did not increase because Towers Perrin's evaluation of the most recent claim experience determined that no change should be made in the City's self-insured dental plan (Delta Dental) and neither PMI nor Pacific Union requested a change in the dental rates.

Recommendation

Approve the proposed ordinance.

HUMAN RESOURCES
CITY & COUNTY OF SAN FRANCISCO
Andrea R. Gourdine, Human Resources Director

April 2, 2002

TO: Harvey Rose, Budget Analyst
Board of Supervisors

FROM: Yvonne S. Hudson, Deputy Director
Health Service System

SUBJECT: **RESPONSES TO QUESTIONS REGARDING HEALTH PLAN RATES FROM MARCH 27, 2002 FINANCE COMMITTEE MEETING**

Following are answers to the seven questions asked by the Board of Supervisors Finance Committee during the March 27, 2002 meeting. The answers have been extracted from the more comprehensive document prepared by Towers Perrin dated April 2, 2002. The questions are followed by the page number(s) where more detail can be found.

1) **What is the balance in the Health Service System fund now? (page B-1)**

Based on final financial statements for June 30, 2001 and 2000, the net assets available for health benefits at June 30, 2001 are $34,768,366.

2) **What is the appropriate fund balance? (page B-2)**

The table below shows the development of the reserve for claims IBNR and the target reserve. The reserve for claims IBNR was based on the most recent information available from the City's claims administrators-HSS, Express Scripts and Delta Dental-regarding claims paid and incurred.

Table B-2
Development of Reserves as of June 30, 2001

	IBNR Reserve		Target Reserve	
	Months	Dollars*	Months	Dollars*
City Plan 1 Medical	3.3	$7.7	6.0	$13.5
City Plan 1 Pharmacy	0.5	0.4	2.0	1.6
Delta Dental	1.4	2.8	4.0	7.7
Total		$10.9		$22.8

*All dollar amounts are shown in millions

3) **Can proposed member rate increases be reduced by using some of the Health Service System's fund balance? (page B-1)**

The Health Service Board voted to apply $3 million, or 13%, of the $22.9 million trust fund surplus (balance after reserves) to subsidize City Plan 1 rates for the 2002-03 plan year. We note that a subsidy of $1.5 million is currently in place for the 2001-02 plan year. These subsidy amounts were chosen for the following reasons:

- This portion of the surplus could safely be attributed to the operation of City Plan 1.
- Conservatism is dictated because of the trust fund's limited ability to raise money in the event of a shortfall in revenue.
- It is advisable to spread over several years the application of trust fund surplus against rates to reduce the impact on members' contributions when the subsidy terminates.

4) **What are the reasons for the significant increased rates in a) the monthly health plan rates to be paid by active city employees (Table 1 in my report) and b) monthly health plan rates to be paid by retired city employees (Table 2 in my report)? (pages 1-11; A-1-A-5)**

City Plan 1

Claim experience adjusted for the changes in benefits and enrollment that occurred effective July 1, 2000, dictated a 36.0% increase in the medical component of Plan 1 and a 28.3% increase in the pharmacy component. Medical and pharmacy costs, together, resulted in the following changes:

- A 34.2% increase in combined medical and pharmacy costs for active employees
- A 31.8% increase for non-Medicare retirees.
- A 37.2% increase for Medicare retirees.

The following change was made in Plan 1 benefits:

- Coverage for hearing aids was increased to $2,500 maximum benefit during any three-year period. Hearing aids were previously subject to a $1,000 maximum.

Current rates for adult dependents, of both employees and non-Medicare retirees, are understated. For the 2002-'03 plan year, the Health Service Board approved realignment of these dependent rate tiers so that the rates will more accurately reflect the cost of these members.

Contributions (the members' out-of-pocket payments) for Plan 1 members-employees and retirees-were determined as dictated by the City Charter. Employees and retirees covered under Plan 1, include the effect of rate changes, plan changes, rate tier

realignment, negotiated City contributions, the amount determined under the 10-County survey, and trust fund subsidy.

HMOs

Three HMOs are offered to HSS members: Health Net, Kaiser and Blue Shield. The HMOs submitted the following renewal requests:

- Blue Shield initially requested a 26% increase for active employees, which was subsequently reduced to 16.6% after negotiations.

- Health Net initially requested a 35% increase for employees and non-Medicare retirees, which was subsequently reduced to 31.5% after negotiations. Health Net increased rates for Medicare retirees by 58.2%.

- Kaiser requested a 22.9% increase for employees and an 89.8% increase for Medicare retirees.

We determined these requests (after negotiation) to be justified according to the data supplied by the HMOs. We also found them to be consistent with renewals for other similarly situated employers. The increases for Medicare retirees, while extremely unfavorable, are dictated largely by the formula by which HMOs are reimbursed for Medicare members by the Centers for Medicare and Medicaid Services (CMS, formerly "HCFA").

The following changes were also made to the plans:

- **Rate Tier Realignment** – previously, Health Net and Kaiser applied uniform rates to employees and non-Medicare retirees, resulting in overstated rates for active employees and understated rates for non-Medicare retirees. For the 2002-'03 plan year, the Health Service Board decided to separate these rates so that they more accurately reflect the cost of benefits for these two groups of members.

- **Extending Blue Shield Coverage to Retirees** – The Health Service Board voted to offer Blue Shield coverage to retirees for the 2002-'03 plan year. This change was made to increase the options available to retirees.

- **Replacing Health Net "Seniority Plus" with Medicare Supplement** – Cost increases and service area reductions had reduced the attractiveness of Health Net's "Seniority Plus" plan for retirees with Medicare. The Health Service Board therefore voted to replace this plan with a Health Net Medicare Supplement Plan, which will provide the same benefits at a slightly lower cost but using a broader network.

Member contributions are derived from these rates by subtracting the 10-County amount and any applicable negotiated subsidies.

5) **Why are there no rate increases in dental rates? (page 8)**

Three dental plans are offered to HSS members: an indemnity plan administered by Delta Dental and two prepaid plans: PMI and Pacific Union. The City pays the cost of dental benefits for employees, while retirees pay the full cost of their dental plans.

The rate process for the dental plans is similar to that described above in connection with the medical plans, except for the determination of member contributions.

The Delta Dental plan for active employees is self-insured, and our evaluation of the most recent claim experience available determined that no change should be made in the rates used by the City to fund the plan.

The City's per-employee contribution for dental benefits is based on the average cost of coverage for all employees. Since all dental plan rates will remain unchanged for 2002-03, the City's contribution for 2002-03 will remain $92.77 per employee per month.

6) **What is the comparable amount of the Health Service System fund balance at other jurisdictions? (page B-2)**

The target reserve was based on Towers Perrin's experience with similar trust funds; however, it should be noted that most single-employer trust funds, even those of public agencies, are not comparable to the Health Service trust fund for this purpose. The inability of the Health Service trust fund to draw upon the general resources of the City in the event of financial need requires conservatism in reserving beyond that typically required by other employers' trust funds. The most comparable trusts are therefore those maintained by multiple employers together, often pursuant to collective bargaining, or by associations. These typically target reserves of between 130% and 200% of IBNR.

7) **It is Supervisor Peskin's understanding that the balance now is $34 million and the last year was $18 million. How did last year's fund balance of $18 million and this year's fund balance of $34 million impact the proposed member rates? (page B-1)**

Please refer to the answer in question #3.

Item 2 – File 01 - 2003

Department: Employees' Retirement System (ERS)

Item: Ordinance amending the Administrative Code Section 16.37-1 to provide for the setting of interest rates for retirement accounts.

Description: Currently, the Administrative Code provides that the Retirement Board of the Employees' Retirement System (ERS) shall credit member accounts "with interest at the rate of four percent per annum" and that the Retirement Board may credit additional interest "as it may deem proper" depending on the earnings on the assets of the Retirement Fund in any fiscal year. Ms. Murphy reports that the Retirement Board currently applies an interest rate of six percent per year to member accounts.

The proposed ordinance provides that the Retirement Board adopt interest rates applied to member accounts of "at least four percent per annum" and that the interest rate credited annually "shall not exceed the actuarial assumption for return on assets." Therefore the proposed changes to the Administrative Code establish minimum and maximum interest rates which can be applied by the Retirement Board to member accounts. Ms. Murphy reports that the current annual actuarial assumed rate of return on the assets of the ERS Fund is 8.25 percent.

The interest rate applied to member accounts determines death benefits and the size of vesting pensions, which may exceed the service retirement formula, for certain members, and the size of the accounts for those members who terminate membership prior to retirement benefit eligibility. Ms. Murphy advises that the actual interest rate set by the Retirement Board also determines the amount that members are required to pay in order to purchase certain service credits and make up for account shortages. Ms. Murphy further reports that all other benefits for City employees who retire as members of the ERS are defined by the terms of the Charter and are not determined by the members account balances.

Comments:

1. Ms. Murphy advises the proposed changes to the Administrative Code would authorize the Retirement Board to increase interest contributions to member accounts on an annual basis to the maximum limit of the actuarial assumed rate of return on the assets of the ERS Fund. As stated above, the actuarial assumed rate of return on the assets of the ERS Fund is currently 8.25 percent annually. According to Ms. Murphy, if the Board of Supervisors approves the proposed ordinance, the Retirement Board may, in the future, increase the percentage rate of interest earnings on members' accounts to a maximum of the actuarial assumed rate of return on the assets of the ERS Fund, should the Retirement Board find it prudent to do so.

2. Ms. Murphy further advises that the Retirement Board must establish the interest rate to be applied to member accounts for Fiscal Year 2002-2003 by June 30, 2002.

3. There is currently no maximum on the interest rate which the Retirement Board can apply to member accounts. Ms. Murphy reports that the rate of six percent interest currently applied by the Retirement Board to member accounts has been in effect since 1980. Ms. Murphy further advises that the ERS Fund earned average annual returns of 10.3 percent from January 1, 1992 to December 31, 2001, during which time the Retirement Board did not increase the interest rate applied to member accounts from the currently approved six percent rate.

4. Ms. Murphy reports that no increased costs would result from the proposed ordinance because even though the Retirement Board could increase the interest rate applied to member accounts from the currently applied six percent rate up to the actuarial assumed rate of return on the assets of the ERS Fund, the Retirement Board is already authorized to increase the interest rate applied to member accounts to any rate as it may deem appropriate, depending on the earnings on the assets of the Retirement Fund. Ms. Murphy advises that as of January 2002, the outstanding surplus of the ERS Fund is $1.9 billion and that the assets of the ERS Fund are sufficient for the

Retirement Board to apply to member accounts the current annual actuarial assumed rate of return on the assets of the ERS Fund of 8.25 percent, while still maintaining a recommended City and County of San Francisco employer contribution rate of zero. Ms. Murphy further reports that there has been no contribution required from the City and County of San Francisco (employer) to the ERS Fund for the past six years due to the total return on the ERS Fund.

5. The attached memorandum from Ms. Murphy further explains the purpose of the proposed ordinance.

6. In the professional judgement of the Budget Analyst, the proposed establishment of a maximum interest rate which can be credited to member accounts is a prudent practice.

Recommendation: Approve the proposed ordinance.

April 8, 2002

Finance Committee
Supervisor Arron Peskin, Chair
Supervisor Chris Daly, Vice Chair
Supervisor Sophie Maxwell, Member
Board of Supervisors
City Hall, Room 244
#1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File N. 012003. [Retirement Benefits] Ordinance amending Administrative Code Section 16.37-1 to provide for the setting of interest rates.

Dear Supervisors Peskin, Daly and Maxwell,

Administrative Code section 16.37-1 defines the Retirement Board's responsibilities regarding the establishment of interest rates to be credited to member accounts. The proposed amendment will require the Retirement Board to determine the appropriate interest rate based on the annual actuarial valuation of the Retirement System. Under this proposal, the Retirement Board's authority is constrained to interest rates between 4.0% and the actuarial assumed rate of investment earnings, currently 8.25%. Historical credited interest rates have ranged from 2.5% to 6% per annum and have been set at 6% since July 1, 1980.

The Retirement Board-adopted interest rate determines the size of member accounts for those members who terminate membership prior to retirement benefit eligibility, death benefits and the size of vesting pensions, which may exceed the service retirement formula, for certain members. The interest rate is also used to determine the amount that members are required to pay for certain service credit purchases and account shortages. All other benefits are defined by the terms of the San Francisco Charter and are not determined by the members account balance.

The current language was originally enacted in 1939 and most recently modified in 1967. As a result of requests from Retirement System members to be credited with higher interest amounts and in light of recent reduced investment performance the Retirement Board directed a review of this section. The current language reflects the simpler investment environment and strategies typical of public pension plans during the 1960's. Over the course of the last twenty years the Retirement Board has significantly revised and prudently diversified the asset allocation of the Retirement System Trust Fund. The Retirement Board's investment strategy (which has resulted in six fiscal years of zero employer contribution requirements) is designed to maximize total return on the fund over the long-term rather than focusing on single year returns.

The proposed ordinance removes the constraint that, annual interest payments be limited to actual earnings of the fund; however the Retirement Board will be required to review the findings of the consulting actuary in the annual valuation of the pension plan in order to establish the appropriate rate of interest.

In accordance with Charter Section A8.500 following is the required actuarial cost and effect report:

The proposed ordinance does not increase or decrease the cost of the Retirement System. The proposed change empowers the Retirement Board to consider appropriate interest rates during periods of investment performance volatility, upon prudent review of the actuarial analysis of the Retirement System's funded status.

Towers Perrin, Consulting Actuaries for the Retirement System have estimated the increase in cost which would occur, should the Retirement Board establish the maximum interest rate for the foreseeable future. The costs are expressed in two parts:

1. A one time only cost of $55 million for past service liabilities and
2. An annual increase in the normal cost of $11 million for accruing liabilities.

Current assets are sufficient to cover such a cost increase, while maintaining a zero employer contribution rate at this time.

The proposed ordinance will require passage by at least nine members of the Board of Supervisors as stated in San Francisco Charter Section A8.500.

The Retirement Board believes that this proposed ordinance is necessary to provide the flexibility needed to protect member account interest accruals while recognizing modern portfolio management principles. The Retirement Board urges you to recommend "do pass" to the full Board of Supervisors.

Representatives of the Retirement System will be available to review the report and address committee member questions at the Finance committee meeting.

Very truly yours,

Clare M. Murphy

Clare M. Murphy
Executive Director

cc: Supervisor Jake McGoldrick
Ed Harrington, Controller
Leslie Finertie, Towers Perrin
Gloria L. Young, Clerk of the Board of Supervisors
Gail Johnson, Clerk of the Finance Committee
Sarah Graham, Budget Analyst Office

Item 3 - File 02-0551

Department: Department of Administrative Services (DAS)

Item: Ordinance amending Section 16.93-4 of the San Francisco Administrative Code to (a) extend the application deadline for any Mayor's Fund to participate in the 2002 Annual Joint Fundraising Drive from March 1, 2002 to April 15, 2002; and, (b) extend the deadline for the Board of Supervisors to designate those agencies that qualify to participate in the City's Annual Joint Fundraising Drive for 2002 from May 1, 2002 to June 1, 2002.

Description: Section 16.93-3 of the Administrative Code requires the Department of Administrative Services to (a) review all applications to participate in the City's Annual Joint Fundraising Drive from charitable organizations and any Mayor's Fund that is created to further social causes to determine if such organizations comply with the criteria specified in the Administrative Code; and (b) recommend to the Board of Supervisors organizations which qualify to participate in the City's Annual Joint Fundraising Drive in accordance with criteria set forth in Section 16.93-2 of the Administrative Code.

The proposed ordinance would amend Section 16.93-4 of the Administrative Code to (a) extend the deadline for any Mayor's Fund to participate in the City's Annual Joint Fundraising Drive for this year only, from March 1, 2002 to April 15, 2002; and, (b) extend the deadline for the Board of Supervisors to designate those agencies that qualify to participate in the City's Annual Joint Fundraising Drive for this year only, from May 1, 2002 to June 1, 2002.

This proposed amendment would (1) allow the San Francisco Youth Fund, which failed to meet the March 1st deadline, to apply to the Board of Supervisors by April 15, 2002 instead of the existing deadline date of March 1, 2002, for participation in the 2002 Annual Joint Fundraising Drive; and, (2) provide the Board of Supervisors with one additional month to approve those agencies that qualify to participate in the City's Annual Joint Fundraising Drive. According to Mr. Steve Kawa of the Mayor's Office, the San Francisco Youth Fund was unable to meet the March 1st deadline for technical reasons.

Comment: According to Ms. Jill Lerner of the Department of Administrative Services, the San Francisco Youth Fund is the only organization out of the nine organizations which the Department of Administrative Services recommends be designated to participate in the City's 2002 Annual Joint Fundraising Drive (see File 02-0241) which did not meet the March 1, 2002 deadline for submitting their application to participate in the City's 2002 Annual Joint Fundraising Drive. According to Ms. Gail Johnson of the Clerk of the Board of Supervisors' Office, the application from the San Francisco Youth Fund was received by the Board of Supervisors on March 15, 2002.

Recommendation: Approve the proposed ordinance.

Item 4 - File 02-0241

Department: Department of Administrative Services (DAS)

Item: Hearing to consider the applications from various agencies to participate in the City's 2002 Annual Joint Fundraising Drive.

Description: Section 16.93-3 of the Administrative Code requires the Department of Administrative Services (a) to review all applications from charitable organizations and any Mayor's Fund which request to participate in the City's Annual Joint Fundraising Drive, and (b) to recommend to the Board of Supervisors applications which qualify to participate in the City's Annual Joint Fundraising Drive in accordance with criteria set forth in Section 16.93-2 of the Administrative Code.

The Department of Administrative Services reports that it has reviewed the applications from six charitable organizations and three Mayor's Funds, for a total of nine applicants, that have applied to participate in the City's 2002 Annual Joint Fundraising Drive in accordance with the criteria delineated in Section 16.93-2 of the Administrative Code. The Department of Administrative Services reports that all six charitable organizations and three Mayor's Funds comply with the Section 16.93-2 criteria and recommends that all nine organizations be approved to participate in the City's 2002 Annual Joint Fundraising Drive. The summary of findings reported by the Department of Administrative Services is contained in the Attachment to this report.

Section 16.93-4 of the Administrative Code also requires that the Board of Supervisors designate, by resolution, those applicants that qualify to participate in the 2002 Annual Joint Fundraising Drive. The six charitable organizations and three Mayor's Funds that have applied and been recommended by the Department of Administrative Services to participate in the City's 2002 Annual Joint Fundraising Drive are as follows:

- Bay Area Black United Fund, Inc.
- Community Health Charities
- Earth Share of California (Environmental Federation of California)
- Local Independent Charities
- International Service Agencies

- United Way of the Bay Area
- Mayor's Fund for the Homeless
- San Francisco Youth Fund (formerly known as the Mayor's Youth Fund)
- Mayor's Youth Employment for the Summer Fund (for which the Private Industry Council of San Francisco, Inc. serves as fiscal agent)

Comments:

1. According to Ms. Jill Lerner of DAS, the nine organizations and funds listed above are the same organizations and funds which participated in the City's 2001 Annual Joint Fundraising Drive.

2. According to Mr. Ted Lakey of the City Attorney's Office, the subject hearing request to consider the applications from various agencies to participate in the City's 2002 Annual Joint Fundraising Drive should not include the San Francisco Youth Fund because that Fund turned in its application after the March 1, 2002 deadline and, therefore, cannot be considered until the full Board of Supervisors approves the proposed ordinance (Item 3, File 02-0551) to extend the application deadline date for any Mayor's Fund to participate in the 2002 Annual Joint Fundraising Drive from March 1, 2002 to April 15, 2002. According to Mr. Lakey, a separate future hearing must be held by the Board of Supervisors to consider designating the San Francisco Youth Fund to participate in the City's 2002 Annual Joint Fundraising Drive.

Recommendation: Prepare in and report out a resolution designating the following eight qualifying charitable organizations who turned in their applications to participate in the 2002 Annual Joint Fundraising Drive by the March 1, 2002 deadline and as recommended by the Department of Administrative Services, to participate in the City's 2002 Annual Joint Fundraising Drive: (1) Bay Area Black United Fund, Inc.; (2) Community Health Charities; (3) Earth Share of California (Environmental Federation of California); (4) Local Independent Charities; (5) International Service Agencies; (6) United Way of the Bay Area; (7) Mayor's Fund for the Homeless; (8) Mayor's Youth Employment for the Summer Fund.

SUMMARY OF FINDINGS

2002 Review of Applications
To Participate in Annual Fundraising Drive

SUMMARY OF METHODOLOGY AND FINDINGS

Our review consisted of an examination of the materials provided in File No. 020241 and telephone conversations with representatives from applicant organizations. We were advised by Deputy City Attorney Ted Lakey that telephone inquiries were appropriate to clarify information supplied by the applicants. This is the same method we have used in past years to prepare this report to the Board of Supervisors.

All nine organizations that applied for participation in the 2001 Joint Fundraising Drive were in compliance with the criteria established by the Board of Supervisors as delineated in the Administrative Code.

CRITERIA

Following is a list of the criteria established by the Board of Supervisors and information as to how the applicants met each requirement. New legislation enacted in 1997 includes in the annual joint fund-raising drive any Mayor's fund that is created to further social causes. Under Administrative Code Section 16.93-2, only subsections (b), (c) and (e) apply to the Mayor's funds. All other agencies must satisfy subsections (a) through (e).

Criterion A: Be a federated agency representing ten (10) or more charitable organizations of which 50 percent shall represent organizations located in the counties of San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa and Marin.

According to the City Attorney, "located in the counties" may be defined as having offices, fundraising or otherwise doing business in those counties.

1. Bay Area Black United Fund, Inc.

   Bay Area Black United Fund, Inc. represents 46 agencies, all of which are located in the Bay Area.

2. Community Health Charities

   Community Health Charities represents more than 40 health organizations of which 50 percent or more are located in the Bay Area.

3. Earth Share of California (Environmental Federation of California)

Earth Share of California represents over 100 organizations of which 50 percent or more are located in the Bay Area.

4. Local Independent Charities (LIC)

Local Independent Charities represents over 170 organizations of which 50 percent or more are located in the Bay Area.

5. International Service Agencies (ISA)

International Service Agencies represents more than 30 charities of which 50 percent or more are located in the Bay Area.

6. United Way of the Bay Area

United Way of the Bay Area represents over 125 organizations, all of which are located in the Bay Area.

Criterion B: The federated agency or Mayor's fund must certify to the Board of Supervisors that the Federal Internal Revenue Service has determined that contributions to all of the represented charitable organizations or Mayor's funds are tax deductible.

Based on consultation in years past with the City Attorney, we have concluded that all the applicants complied with this requirement.

Criterion C: The federated agency must have been in existence with 10 or more qualified charities for at least one year prior to the date of application and provide satisfactory evidence to that effect at the time of filing an application with the Board. Mayor's funds shall submit their most recent financial statement to the Board of Supervisors on an annual basis.

This criterion was met by all agencies.

Criterion D: The federated agency must submit its most recent certified audit at the time of filing an application with the Board.

All agencies provided these documents, as detailed below:

1. Bay Area Black United Fund, Inc. provided Audited Financial Statements dated December 31, 2000 with an Auditor's Report by Ravinder Singh & Associates, dated March 30, 2001.

2. Community Health Charities of California provided Financial Statements for the year ended June 30, 2001, with an Independent Auditors' Report prepared by Rooney, Ida, Nolt and Ahern, CPAs, dated July 30, 2001.

3. Earth Share of California provided Financial Statements for the years ended September 30, 2001 and 1999 along with the Auditors' Report by Bregante & Company, LLP, dated February 2, 2001.

4. International Service Agencies provided Financial Statements for the years ended June 30, 2001 and 2000 with an Independent Auditor's Report by the Lang Group, Chtd., dated August 14, 2001.

5. Local Independent Charities provided Financial Statements for the years ended April 30, 2001 and 2000 with an Independent Auditors' Report by Maze & Associates Accountancy Corporation, dated October 16, 2001.

6. United Way of the Bay Area provided combined Financial Statements for the years ended June 30, 2001 and 2000 with a Report of Independent Certified Public Accountants by Grant Thornton, LLP, dated January 10, 2002.

7. The Mayor's Homeless Fund, created by ordinance (Administrative Code Section 10.117-33), provided a statement of balance as of February 13, 2002.

8. The San Francisco Youth Fund is served by the Every Child Can Learn Foundation as its fiscal agent. Financial Statements for the years ended June 30, 2001 and 2000 were provided along with an Independent Auditors' Report by Hood & Strong, LLP, dated September 26, 2001. Also included was a Statement of Operating Activity dated 2/28/02.

9. Mayor's Youth Employment for the Summer Fund (YES) is served by the Private Industry Council ("PIC") as its fiscal agent. The PIC submitted Audited Financial Statements for the two year period ended June 30, 1999 with an Independent Auditor's Report by Izabal, Bernaciak & Company dated December 8, 2001.

Criterion E: Agencies that wish to participate in the Annual Drive are required to submit applications to the Board of Supervisors that include all information that may be relevant to the criteria listed in the Section.

As stated earlier in this report, the City Attorney advised that the applications may be considered complete although clarification may have been necessary to conduct this review.

All applicants provided documentation in their letters of application to the Board of Supervisors or confirmed by telephone that they are in compliance with the requirements of Section 16.93-2 which constitutes "certification."

Therefore, all applicants were in compliance with Criterion E.

Item 5 - File 02-0534

Department: Department of Human Resources (DHR)

Item: Ordinance adopting and implementing Amendment No. 2 to the FY 2001-2002 through FY 2002-2003 Memorandum of Understanding (MOU) between the Municipal Executives' Association and the City and County of San Francisco by amending Article III and adding Appendix H to incorporate the parties' agreements regarding specified wage adjustments and to correct clerical errors.

Description: The proposed ordinance would approve Amendment No. 2 to the two-year MOU from July 1, 2001 through June 30, 2003 between the Municipal Executives' Association (MEA) and the City and County of San Francisco, which was adopted by the Board of Supervisors in June 2001 (File 01-0990). The proposed Amendment No. 2 would provide (a) internal wage adjustments to four MEA classifications, covering 13 employees, (b) provide a special 5 percent premium to employees covered by the MEA, other than DHR employees, who serve as chief negotiators for collective bargaining, and (c) correct clerical errors in the previously approved MOU.

Internal Wage Adjustments

The two-year MOU between MEA and the City provided a total 10 percent wage increase to all covered employees over the two-year term. Amendment No. 2 to the MOU would provide internal wage adjustments, ranging from 5 percent to 16 percent in addition to the previously approved 10 percent wage increase over the two-year term of the MOU, to four classifications covering 13 positions, as shown in the following table:

Classification		Number of Positions in Class	Proposed Internal Wage Adjustment, effective July 1, 2002	Annual Salary Rate per Position at Step Five, effective July 1, 2002	Annual Salary Rate per Position at Step Five, including Proposed Internal Wage Adjustment, effective July 1, 2002
1103	Director, Convention Facilities	1	16%	$145,801	$169,129
5112	Assistant Director of Planning	1	5%	$115,945	$121,743
3466	Assistant Superintendent, Parks, Squares and Facilities	3	6.8%	$83,949	$89,658
3464	Area Supervisor, Parks, Squares and Facilities	8	7.47%	$65,517	$70,411

As shown in Attachment I, provided by the Controller's Office, the internal wage adjustments proposed in Amendment No. 2 would result in estimated additional salary and fringe benefit costs to the City of $91,000 in FY 2002-2003.

Special Premiums

The proposed Amendment No. 2 would also provide a five percent special Chief Labor Negotiator premium to be paid to employees, other than DHR employees, who serve as Chief Labor Negotiators in a collective bargaining process under Charter sections A8.403, A8.409 and/or A8.590-1, for the duration of the assignment as a Chief Labor Negotiator, except that such assignment shall not exceed five months unless authorized by the Human Resources Director. Employees who receive Chief Labor Negotiator Pay would also participate in any training or preparation necessary for the assignment. As noted in Attachment I, the Controller has not estimated the cost of the special premium because the number of positions and the associated wage rates for these individuals are not known at this time.

Correct Clerical Errors

Amendment No. 2 would also correct the current two-year MOU to correct a clerical error regarding State Disability Insurance (SDI). The corrected provision would delete the sentence allowing employees who are enrolled in SDI to remain enrolled in SDI as long as the employee is in the MEA bargaining unit. By deleting this provision, employees who are enrolled in SDI as of July 1, 2001, and who change job classifications, will only continue to be enrolled in SDI if the new job classification is covered by SDI. Mr. Rothman states this change was inadvertently omitted in the current MOU and does not need to be made retroactive. According to Mr. Rothman, the corrected language is a procedural change and would not result in increased costs to the City.

Finally, the proposed Amendment No. 2 would correct a clerical error by reinstating Appendix H to the current MOU, which is the seniority roster for employees allocated to classifications 1071 IS Manager and 1073 IS Director. Mr. Rothman advises that Appendix H was included in the prior MOU, which expired June 30, 2001, and was inadvertently omitted from the current MOU. Mr. Rothman advises that correcting the clerical error and reinstating Appendix H to the MOU would not result in increased costs to the City.

Comments:

1. Attachment II, provided by Mr. Rothman, contains DHR's reasons for proposing (a) the internal wage adjustments for four classifications, covering 13 positions, and (b) the five percent Chief Labor Negotiator premium.

2. As previously noted, the Controller estimates that the cost of the proposed Amendment No. 2 in FY 2002-2003 for the proposed internal wage adjustments is $91,000.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLL[illegible]

Edward Harring[illegible]
Control[illegible]

REVIS[illegible]

April 10, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020534
Amendment to the Memorandum of Understanding (MOU) with the Municipal Executives Association

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the MOU between the City and County of San Francisco and the Municipal Executives Association. The amendment covers the period of July 1, 2002 through June 30, 2003, and affects 13 budgeted positions with a salary base of approximately $1.11 million.

Based on our analysis, the amendment will result in incremental costs of approximately $91,000 in FY 2002-2003. The amendment will result in cost increases of approximately 7% above the overall pay and benefits base (approximately 8% above base salaries) in FY 2002-2003. Please see Attachment A for specific cost estimates.

In addition to the wage and benefit provisions in Attachment A, the MOU provides for a 5 percent premium for Chief Labor Negotiator Pay for departmental employees, with the exception of the staff in the Department of Human Resources and the City Attorney's Office, while they are representing the City in negotiations. Since the number of positions and the associated wage rates for these individuals are not known at this time, we have not estimated a cost for this provision.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela J. Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A
Municipal Executives' Association
Estimated Costs FY 2002-2003
Controller's Office

Annual Costs/(Savings)	FY 2002-2003
Internal Adjustments	
16% on July 1, 2002 for Class 1103, Director, Convention Facilities	$22,759
5% on July 1, 2002 for Class 5112, Assistant Director of Planning	$5,656
Parity adjustments	$55,033
Wage-Related Fringe Increases	7,552
Total Estimated Incremental Costs	$91,000
Annual Amount Above 2001-2002 Level	$91,000
Incremental Cost % of 2001-2002 Total Pay & Benefits	7%
Incremental Cost % of Base Salary	8%

EMPLOYEE RELATIONS DIVISION
DEPARTMENT OF HUMAN RESOURCES

April 11, 2002

Subject: MEA Contract Amendments

5122, Assistant Director of Planning (5%)

The Planning department has reported, and the Department of Human Resources has confirmed, that here have been substantial changes in the duties and responsibilities of this class. Newly reported duties include overseeing Planner V personnel in the Neighborhood Planning Division, and management of the Code Enforcement Division.

Further, recent internal wage adjustments (4.5%) for the professional Planner classifications awarded under the 200/03 IFPTE Local #21 arbitration award have created a salary compaction and reduced the differential between the Planner classes and the Assistant Director of Planning. This 5% internal adjustment will address the wage compaction and restore the historical wage differential between Assistant Director of Planning and other professional Planner classes, and will compensate for increased duties and responsibilities.

1103 Director, Convention Facilities

It has been reported for more than two years that this class is substantially below market for this set of duties. A recent survey of major local cities demonstrated that this position is 16% below the comparable position in the City of San Jose. This recommended adjustment will ensure that our salary remains competitive for this position, which contributes substantially to the city's convention programs.

Restore parity between class 3466, Assistant Superintendent, Parks Squares and Facilities and class 3292, Assistant Superintendent Recreation

Over the past ten years, and as a result of differing outcomes in collective bargaining, the historical wage relationship for several management level classes at the Recreation and Parks Department has been disrupted. These adjustments will restore the historical wage relationship that existed on July 1, 1992 between the SEIU represented recreation manager class and the MEA represented maintenance manager class. For class 3466 a 6.8% internal adjustment will restore the pre-existing wage relationship that provided for wage parity with Class 3292.

<u>Restore former salary relationship between class 3464, Area Supervisor Parks, Squares, and Facilities and class 3291, Principal Recreation Supervisor</u>

Over the past ten years, and as a result of differing outcomes in collective bargaining, the historical wage relationship for several high level classes at Recreation and Parks Department has been disrupted. These adjustments will restore the historical wage relationship that existed on July 1, 1992 between the SEIU recreation manager class and the MEA represented maintenance manager class. For class 3464 a 7.47% internal adjustment will restore the 7/1/92 pre-existing wage relationship that provided for wage parity with Class 3291. This adjustment will restore the 9% differential that previously existed between these classes.

<u>Chief negotiator premium</u>

During fiscal year 2002-2003The City will be renegotiating all of its forty-seven (47) collective bargaining agreements. All of these agreements are presently scheduled to expire on June 30, 2003. In order to staff each bargaining table with experienced and knowledgeable negotiators, departmental human resource managers will be requested to assume chief negotiator responsibilities. As chief labor negotiator duties are beyond the scope of regular departmental personnel assignments, and as the incumbents work within their respective departments, the Department of Human Resources cannot compel them to accept these additional assignments.

This limited premium is intended to recognize and create an incentive for departmental representatives to accept these critical and difficult roles. As most bargaining is handled by two key ERD chief negotiators and city attorney staff, if departmental staff are not available, substantial additional cost will be added to the labor negotiations budget. Consequently, the use of departmental staff may represent considerable savings to the overall negotiations budget.

It is estimated that three (3) to five (5) departmental personnel representatives may be utilized to supplement ERD and city attorney staff as chief negotiators.

Submitted by

Geoffrey L Rothman, Director
Employee Relations

Item 6 – File 02-0472

Department: Department of Children, Youth and Their Families

Item: Resolution authorizing the Department of Children, Youth and Their Families to accept and expend a grant in the amount of $398,125 from the United States Department of Agriculture for the Mayor's Summer Food Service Program.

Amount: $398,125

Grant Period: June 10, 2002 to August 16, 2002

Source of Funds: U.S. Department of Agriculture

Required Match: None required (See Comment No. 2)

Indirect Costs: The grant terms prohibit the inclusion of indirect costs in the grant budget.

Description: The proposed resolution authorizes the Department of Children, Youth and Their Families (DCYF) to accept and expend $398,125 from the U.S. Department of Agriculture (USDA) to operate the 2002 Summer Food Service Program. The Summer Food Service Program, which has operated in San Francisco for more than ten years, will provide free meals to children and youth up to the age of 18 from mid-June to mid-August. According to Ms. Camille Wise of the DCYF, the proposed Program anticipates serving approximately 4,000 children and youth lunches each weekday at 85 sites located throughout the City, including San Francisco Housing Authority sites, San Francisco Unified School District (SFUSD) sites and community-based non-profit agency sites. Ms. Wise reports that the Summer Food Service Program sites are located in areas where more than 50 percent of the youth population is eligible for subsidized meals through the national School Lunch Program during the regular school year.

Attachment I, provided by Ms. Wise, is a list of sites utilized in 2001 and a list of new sites that have applied for the proposed 2002 Program. According to Ms. Wise, all

sites will be subject to State approval which is still pending.

Ms. Wise reports that the proposed program would be funded by a combination of the $398,125 from the subject grant funds and $86,505 (see Comment No. 2) in City funds, for a total program cost of $484,630. Ms. Wise advises that DCYF would pay the SFUSD $391,290 for the lunch preparation and delivery sites.

Budget:

The proposed budget of $484,630 to be funded from $398,125 of the subject grant funds and $86,505 from City funds, is as follows:

Lunch Preparation and Delivery by the SFUSD	$391,290
Administrative Salaries	44,848
Site Supervision Salaries	42,336
Rent	1,500
Other Expenses	4,656
Total	$484,630

Attachment II, provided by the DCYF, provides additional budget details to support the summary budget shown above.

Comments:

1. As shown in Attachment II, the Department anticipates serving 175,000 meals and estimates receiving USDA reimbursement for 91 percent of such meals at a rate of $2.50 per meal, including $0.20 for administration, resulting in a net estimated USDA reimbursement of $398,125. Attachment III is a memorandum from Ms. Wise explaining why an estimated 9 percent of the meals may not be reimbursed by the USDA.

2. In order to cover the total estimated program costs of $484,630, Ms. Wise advises that the Department will provide $86,505 in previously budgeted funds, including $45,000 that was carried forward from the Department's approved FY 2000-2001 budget and $41,505 in funds that are included in the Department's approved FY 2001-2002 budget.

3. As stated in Attachment II, the budget provides funding for 12 temporary DCYF administrative positions

from mid-June through mid-August of 2002. These positions include one Assistant Coordinator and one Clerical Assistant who would provide general administrative assistance to the program and 10 Site Monitors. Ms. Wise advises that the 10 Site Monitors would regularly travel to the sites and ensure that the Program is operating properly. Ms. Wise advises that these 12 administrative positions would be designated "G," or grant-funded positions that would terminate when the subject grant expires. The proposed resolution, however, does not state that these positions would be designated "G."

4. Ms. Wise advises that the budget also provides funding for 24 Housing Authority residents to provide site supervision for the meal distribution at 12 Housing Authority sites, which is the number of Housing Authority sites that the Department anticipates will be approved by the State. Ms. Wise reports that these Site Supervisors would be temporary employees of the DCYF, that would terminate when the subject grant expires. The proposed resolution, also, does not state that these positions would be designated "G."

5. The proposed resolution on line 18 incorrectly identifies the subject grant amount of $398,125 as $575,000. The proposed resolution, therefore, should be amended to reflect the subject grant amount of $398,125.

6. Attachment IV is the Grant Information Form, provided by the Department, which includes the Disability Access Checklist. The Grant Information Form incorrectly identifies the amount of grant funding as $575,000. As previously noted, the actual amount of the grant is $398,125.

Recommendations: 1. In accordance with Comment Nos. 3 and No. 4, amend the proposed resolution to urge the Controller to designate the 36 positions, including 12 administrative positions and 24 site supervisors, as "G," or grant-funded positions that would terminate when the subject grant expires.

2. In accordance with Comment No. 5, amend the proposed resolution as follows:

   On line 18, replace $575,000 with $398,125. The phrase should then read, "to apply for, accept and expend funds in the amount of $398,125 from the United States Department of Agriculture..."

3. We recommend approval of the proposed resolution, as amended, except that we consider the Summer Food Service Program site locations to be a policy matter for the Board of Supervisors.

		2001 Summer Food Service Program Sites				
	Site	Site Name	Site Address	Zipcode	Lunch Time	District
SCHOOL	4	Aim High:Lick Wilmerding	755 Ocean Avenue	94112	12:00-1:00	Ingleside
SCHOOL	23	John Yehall Chin	350 Broadway Street	94108	12:00-1:00	Chinatown
SCHOOL	125	Aim High: Visitacion Valley	450 Raymond Street	94134	12:00-1:00	Visitacion Valley
SCHOOL	130	Central Chinese High School	829 Stockton Street	94108	11:45-1:00	Chinatown
SCHOOL	140	Third Baptist Summer School	1601 Turk Street	94117	11:45-1:00	Western Addition
SCHOOL	145	Aim High: Yick Wo	2245 Jones Street	94133	12:15-1:00	Chinatown
SCHOOL	149	John Muir	380 Webster Street	94117	12:00-1:00	Western Addition
SCHOOL	154	Aim High: Urban School	1563 Page Street	94117	12:00-1:00	Haight
SCHOOL	162	Chinatown Beacon Center	840 Broadway Street	94133	11:30-1:30	Chinatown
SCHOOL	167	OMI/ Excelsior Beacon Center	241 Oneida Avenue	94134	12:00-1:00	Ingleside
SCHOOL	179	Community Bridges Beacon	450 Church Street Room 19	94114	11:30-12:30	Castro
SCHOOL	174	Aim High: Roosevelt	460 Arguello Blvd	94118	12:00-1:00	Richmond
SCHOOL	187	SF Day School Summerbridge	350 Masonic	94118	11:00-12:00	Richmond
SCHOOL	189	Western Addition Beacon	1430 Scott Street	94115	12:00-1:30	Western Addition
PARK	71	Miraloma Playground	25 Omar and Sequoia Stree	94127	12:00-1:00	Miraloma
PARK	19	Boeddeker Park	295 Eddy Street	94102	12:00-1:00	Tenderloin
PARK	20	Cayuga Playground	301 Naglee Street	94112	12:00-1:00	Outer Mission
PARK	31	Crocker Amazon Playground	Moscow and Italy Streets	94112	12:00-1:00	Outer Mission
PARK	36	Excelsior Playground	579 Madrid Street	94112	12:00-1:00	Outer Mission
PARK	27	Chinese Recreation Center	1199 Mason Street	94108	12:00-1:00	Chinatown
PARK	8	Alice Chalmers Playground	670 Brunswick Street	94112	12:00-1:00	Outer Mission
PARK	40	Garfield Playground	1271 Treat Avenue	94110	12:00-1:00	Mission
PARK	41	Gilman Playground	Gilman & Griffith	94124	12:00-1:00	Bayview
PARK	46	Hamilton Recreation Center	Geary and Steiner Streets	94115	12:00-1:00	Western Addition
PARK	49	Helen Wills Playground	1965 Larkin Street	94109	12:00-1:30	Chinatown
PARK	50	Herz Playground	1700 Visitacion Street	94134	12:00-2:00	Visitacion Valley
PARK	60	Joseph Lee Recreation Center	1395 Mendell Street	94124	12:00-1:00	Hunter's Point
PARK	70	Milton Meyer	195 Kiska Road	94124	12:00-2:00	Hunter's Point
PARK	73	Mission Playground	3555 19th Street	94110	12:00-1:00	Mission
PARK	75	Mission Recreation Center	745 Treat Street	94110	12:00-1:00	Mission
PARK	77	Oceanview Recreation Center	650 Capitol Avenue	94112	12:00-1:00	Oceanview
PARK	86	Palega Recreation Center	500 Felton Street	94134	12:00-1:00	Outer Mission
PARK	99	St. Mary's Recreation Center	Justin & Murray Street	94112	12:30-1:30	Bernal Heights
PARK	103	Silver Terrace Playground	269 Waterville Street	94124	12:00-1:00	Bayview
PARK	109	Tenderloin Recreation Center	570 Ellis Street	94109	12:00-1:00	Tenderloin
PARK	155	Sunnyside Playground	Melrose & Teresita	94127	12:00-1:00	Miraloma
PARK	156	Hayes Valley Playground	691 Hayes Street	94117	12:00-1:00	Western Addition
PARK	176	Bernal Heights Playground	500 Moultrie at Jarboe	94110	12:00-1:00	Bernal Heights
PARK	182	Hayward Playground	1016 Laguna Street	94102	12:00-1:00	Western Addition
PARK	113	Upper Noe Recreation Center	299 Day Street	94131	12:00-1:30	Outer Mission
PARK	183	Mclaren Park	1100 Mansell @ Visitacion		12:30-1:30	Bayview
PARK	184	Merced Heights Playground	801 Byxbee Street	94132	12:00-1:00	Merced Heights
PARK	119	Youngblood Coleman	1400 Hudson Street	94124	12:00-1:00	Bayview
CHURCH	32	Cumberland Presby.Church	865 Jackson Street	94133	12:00-1:00	Chinatown
CHURCH	96	SF Chinese Mennonite Church	4021 California Street	94118	11:30-12:30	Richmond
CHURCH	30	Corpus Christi Church	1599 Alemany Blvd	94112	12:00-1:00	Outer Mission
CHURCH	37	First Chinese Baptist Church	15 Waverly Place	94108	11:30-12:30	Chinatown
CHURCH	24	Chinese Congregational Church	21 Walter Lum Place	94108	11:30-12:30	Chinatown
CHURCH	115	Visitacion Chinese Baptist Church	8 Desmond Street	94134	12:15-12:45	Visitacion Valley
CHURCH	38	First Chinese Southern Paptist Church	1255 Hyde Street	94109	12:00-1:00	Chinatown
CBO	90	Precita Valley Community Center	534 Precita Avenue	94110	12:00-1:00	Outer Mission
CBO	100	Salesian Boys & Girls Club	680 Filbert Street	94133	11:30-12:30	Chinatown
CBO	102	Salvation Army Mission Corp	1156 Valencia Street	94110	12:00-1:00	Mission
CBO	110	Village Community Center	333 Shwerin Street	94134	12:00-2:00	Visitacion Valley
CBO	135	Mission Cultural Center for Latino Arts	2868 Mission Street	94110	12:00-12:30	Mission
CBO	138	YWCA Mission Girls Services	3261 23rd Street	94110	12:00-1:00	Mission
CBO	56	Hunter's Point Boys and Girls Club	729 Kirkwood Avenue	94124	12:00-1:00	Hunter's Point
CBO	35	Ella Hill Hutch	1050 McAllster Street	94115	12:00-1:00	Western Addition
CBO	64	KAWAWA	745 Buchanan Street	94115	12:00-1:00	Western Addition
CBO	166	Indochinese Housing Development Corp	375 Eddy Street	94102	12:30-1:30	Tenderloin
CBO	169	Richmond District Neighborhood Center	251 6th Avenue	94118	11:00-12:00	Richmond
CBO	170	Sunset Youth Services	4001 Judah Street	94122	11:00-1:00	Sunset
CBO	175	Asian Women Resource Center	940 Washington Street	94108	12:00-1:00	Chinatown
CBO	177	Boys & Girls Club Treasure Island	401 13th Street/ Avenue E	94130	12:00-1:00	Treasure Island
CBO	180	Excelsior Unit: Boys&Girls Club	163 London Street	94112	12:00-1:30	Mission
CBO	185	Pacific Islander Youth Alliance	325 La Grande	94112	1:00-2:00	Bayview
CBO	186	Project Discover	300 Gaven Street	94134	11:45-12:45	Bayview
CBO	190	YWCA Western Addition	1830 Sutter Street	94115	12:00-1:00	Western Addition
HOUSING	76	North Beach Housing	531 Bay Street	94133	12:00-2:00	North Beach
HOUSING	84	Ping Yuen	838 Pacific Avenue	94133	12:00-2:00	Chinatown

HOUSING	89	Potrero Terrace	1088 Conneticut Street	94107	12:00-1:00	Bayview
HOUSING	93	Robert B. Pitts	1150 Scott Street	94115	12:00-1:00	Western Addition
HOUSING	107	Sunnydale Developments	1654 Sunnydale Avenue	94134	11:00-1:00	Bayview
HOUSING	114	Valencia Gardens	1792 15th Street	94103	11:00-2:00	Mission
HOUSING	55	Hunter's Point A West	1065 Oakdale Avenue	94124	11:00-1:00	Hunter's Point
HOUSING	118	Westside Courts	2501 Sutter Street	94115	12:00-2:00	Western Addition
HOUSING	148	Shoreview Apartments	35 Lilian Court	94112	12:00-2:00	Bayview
HOUSING	168	Prince Hall Apartments	1040 Fillmore Street #501	94115	12:00-2:00	Western Addition
HOUSING	173	All Hallows Gardens	6 Baldwin Court	94124	12:00-2:00	Oakdale
HOUSING	178	Buchanan Park	1150 Webster Street	94115	12:30-1:30	Western Addition
HOUSING	9	Alice Griffith	10 Cameron Way	94124	12:00-2:00	Bayview
HOUSING	181	Freedom West Homes	460 Fulton Street	94102	12:00-1:00	Western Addition
		<u>New Applicants for SFSP 2002</u>				
CBO		Cameron House	No address listed on app.			
CBO		Portola Family Connections	No address listed on app.			
CBO		Bayview Opera House	4705 3rd Street	94124		Bayview
HOUSING		Hunter's View Apartments	No address listed on app.			Bayview/Hunter's Point
HOUSING		Alemany Housing Development	No address listed on app.			
HOUSING		Plaza East Housing Development	No address listed on app.	94115		Western Addition
CBO		Afterschool Enrichment Program	No address listed on app.			
CBO		New Life Christian School Daycare	No address listed on app.			

Note: As of April 11, 2002, not all of the sites from last year applied to be sites again this year. The deadline for application submission is Friday, April 12th, and this memo was written on Thursday, April 11th. In addition, we are limited by the State to a total of 85 sites. Further, the applications we have received have not been reviewed by the State for approval. We will get final approval of our proposed sites in mid to late May. Sites will be notified of their status in late may/early June.

Provided by the DCYF

2002 Mayor's Summer Food Program
Estimated Budget("High" with Disallowances)

Revenue			
	# of meals	Reimbursement Rate (per meal)	Amount
Lunches	175,000	$ 2.30	$ 402,500.00
Admin	175,000	0.2	35,000.00
Disallowances (approx. 9%)	15,750	2.50	(39,375.00)
Total Revenue			$ 398,125.00

Expenses			
	Rate	Cost	
Lunches	$2.15*175000	376,250.00	*
Site Supervision	49 days *4 hrs/day*$9/hr*24 people	42,336.00	
Garbage Bags	60 boxes*$8.95/box	537.00	
Thermometers	140*$3.70	518.00	
Paper bags	200 boxes * $6.95	1,390.00	*
Delivery-Field trip cost	65 sites*1 trip/week*10 weeks*$21	13,650.00	*
Admin Salaries	see below	44,848.00	
Office Supplies		891.00	
Transportation	12 Fast passes *3mos*$35	1,260.00	
Telephone	(installation+bill)	1,050.00	
Rent	3 mos * $500	1,500.00	
Postage		150.00	
Moving		250.00	
Total Expenses		484,630.00	
Difference		(86,505.00)	

*Total of $391,290

Admin Salaries	Days	Hrs/day	Salary/ hr	Total
Asst. Coordinator	90	8	15.00	10,800.00
Clerical Assistant	87	8	13.00	9,048.00
Site Monitors (10 people)	50	5	10.00	25,000.00
Total				$ 44,848.00

This budget includes 24 Housing Authority Residents serving as Site Supervisors and 12 DCYF administrative positions, including one Assistant Coordinator, one Clerical Assistant and 10 Site Monitors.

Department of Children, Youth and Their Families

Memo

To: Harvey Rose

Through: **Katie Fitzpatrick**

From: Camille Wise, Summer Food Program Coordinator (SFSP)

Date: April 11, 2002

Subject: SFSP Disallowances

The United States Department of Agriculture has very strict rules and guidelines for running the Summer Food Service Program (SFSP). The reimbursement for meals may be disallowed due to a variety of circumstances such as:

1. A site may have a sudden decrease in participants due to bad weather, a field trip, day after a holiday, etc. and would have already ordered meals to be delivered to their site. These excessive leftover meals would not be eligible for reimbursement.

2. The SFSP rules require that meals be checked off on a tally sheet at the point of meal service. If a Site Supervisor deviates from this count in any way, such as drawing a line through the tally sheet to indicate the number of meals served instead of individual check marks, meals will be disallowed.

3. All meals must be eaten on site, even if a child would like to take their meal home, or cannot finish the meal in one sitting. If a child walks off with even an apple, the entire meal is disallowed.

4. All meals served must be unitized and complete. If a child refuses to take the vegetables or milk with their meal, this entire meal will be disallowed.

5. SFSP meals are for children under the age of 18 only. If adults and/or parents eat any portion of a child's meal, the entire meal will be disallowed.

Please feel free to call me at 557-6773 if you have any additional questions or concerns.

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Mayor's Summer Food Service Program

2. Department: Department of Children, Youth and Their Families

3. Contact Person: Camille Wise Telephone:557-6773

4. Grant Approval Status (check one):

   [ ] Approved by funding agency [X] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $575,000

6a. Matching Funds Required: $
 b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: United States Department of Agriculture
 b. Grant Pass-Through Agency (if applicable): California Department of Education

8. Proposed Grant Project Summary:
Through funding from the USDA and uner the auspices of the Mayor's Office, the Department of Children, Youth and Their Families provides San Francisco needy children and youth, 18 years and younger, with free meals during the summer months (June-August)

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: June 10, 2002 End-Date: August 16, 2002

10. Number of new positions created and funded: 35

11. If new positions are created, explain the disposition of employees once the grant ends?
All positions are temporary/exempt; all positions are terminated at the end of the program.

12a. Amount budgeted for contractual services:

 b. Will contractual services be put out to bid? No

 c. If so, will contract services help to further the goals of the department's MBE/WBE requirements?

d. Is this likely to be a one-time or ongoing request for contracting out?

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[X] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)	[ ] Existing Structure(s)	[ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s)	[ ] Rehabilitated Structure(s)	[ ] New Program(s) or Service(s)
[ ] New Site(s)	[ ] New Structure(s)	

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: Anna Rainey
(Name)

Date Reviewed: March 6, 2002

Department Approval:
Brenda Lopez Director
(Name) (Title)

(Signature)

Item 7 - File 01-1737

Note: This item was continued by the Finance Committee at its meeting of October 24, 2001.

Department: Public Utilities Commission (PUC)
Real Estate Division

Item: Resolution authorizing the execution and performance of an Exchange Agreement with the City of Brisbane relating to the replacement of the Crystal Springs Pipeline Number 1.

Description: The proposed resolution would approve an Exchange Agreement between the PUC and the City of Brisbane. Under the proposed Exchange Agreement, the PUC would transfer to the City of Brisbane all of the PUC's interest in the PUC-owned Tunnel Avenue Pipeline located in the City of Brisbane. In return the PUC would obtain a new pipeline easement from the City of Brisbane located beneath the Brisbane Community Park which the PUC would use for construction to replace the Crystal Springs Pipeline Number 1 (CSPL 1). According to Mr. Anastasio Mavroudis of the PUC, CSPL 1 is aged and deteriorated. The CSPL 1 is a 48-inch diameter transmission pipeline.

The Tunnel Avenue Pipeline is a 12-inch diameter water main pipeline and is approximately 1,250 feet in length. According to the proposed Exchange Agreement, the City of Brisbane agrees to accept the pipeline "as is, with all known faults". Mr. Mavroudis advises that the PUC-owned Tunnel Avenue Pipeline was constructed in the early 1950's and is surplus pipeline to the PUC.

According to Mr. Larry Jacobson of the Real Estate Division, the easement under the Brisbane Community Park to be transferred by the City of Brisbane to the City of San Francisco and the Tunnel Avenue Pipeline to be transferred from the City of San Francisco to the City of Brisbane are both valued at $23,500 each and, therefore, no payments would be made by either City to the other.

According to Mr. Mavroudis, by obtaining the new easement under the Brisbane Community Park, the PUC will be able to avoid laying an additional 257 feet of pipeline through residential and commercial districts,

resulting in an estimated savings of $168,000 in reduced labor and material costs. According to Mr. Mavroudis, constructing CSPL 1 beneath the Brisbane Community Park would result in a net savings to the PUC of $86,500 (see Comment No. 1).

According to Mr. Mavroudis, the City of Brisbane wishes to avoid the disruption that would occur if the new PUC CSPL 1 is constructed along the existing CSPL 1 alignment beneath San Bruno Avenue in Brisbane. Mr. Chris Nelson of the PUC states that the construction of CSPL 1 beneath the Brisbane Community Park is in fact nearly completed as explained in Attachment I from the PUC. According to Mr. Nelson, the City of Brisbane allowed the PUC to begin the project under an encroachment agreement between the PUC and the City of Brisbane, but a formal easement agreement will be needed for the long term to facilitate PUC access to the pipeline for maintenance purposes. Attachment II to this report is a map of the proposed pipeline and easement to be exchanged between the City of Brisbane and the PUC.

Comments:

1. As noted above, the encroachment agreement allowed the PUC to begin work on the CSPL 1 project beneath the Brisbane Community Park prior to approval by the Board of Supervisors of the subject proposed Exchange Agreement. Mr. Nelson advises that the encroachment agreement was approved by the PUC Commission and was not subject to Board of Supervisors approval. According Mr. Nelson, one of the provisions of the encroachment agreement between the PUC and the City of Brisbane is that the PUC will pay an estimated $81,500 for the restoration of Brisbane's landscaping, lighting and walkways in the Brisbane Community Park following the construction of the CSPL 1 beneath Brisbane Community Park. Mr. Nelson advises that approval of the proposed Exchange Agreement would result in estimated net savings to the PUC of $86,500 ($168,000 in reduced labor and material costs less $81,500 to be expended by the PUC for landscaping, lighting and walkways in the Brisbane Community Park).

2. Mr. Nelson also notes that the proposed Exchange Agreement does not diminish the PUC's capacity for

installing future water or other utility pipelines using the easement beneath Brisbane Community Park.

3. At its meeting of October 24, 2001, the Finance Committee continued the subject proposed resolution so that the Planning Department could determine if the proposed Exchange Agreement is consistent with the City's General Plan and the Eight Priority Policies of City Planning Code. According to Mr. Jacobson, the Planning Department has determined that the proposed Exchange Agreement is in conformance with the City's General Plan and the Eight Priority Policies of the City Planning Code. Therefore, the proposed resolution states that the proposed Exchange Agreement conforms with the City's General Plan and is consistent with the City Planning Code's Eight Priority Policies.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
UTILITIES ENGINEERING BUREAU
1155 MARKET STREET, 7TH FLOOR • SAN FRANCISCO CALIFORNIA • 94103
415.554.0716 • FAX 415.554.1877
MICHAEL E. QUAN, MANAGER

October 18, 2001

TO: Pascal St. Gerard
Budget Analyst
San Francisco Board of Supervisors

FROM: Tasso Mavroudis, P.E.
Project Manager
Utilities Engineering Bureau
San Francisco Public Utilities Commission

SUBJECT: CUW112.01 Crystal Springs Pipeline No. 1 Replacement in Brisbane:
Request for explanation for initiation of the project prior to Board of Supervisor Approval

The following is an explanation pursuant to the subject request.

The City and County of San Francisco proceeded with construction of the replacement of Crystal Springs Pipeline No. 1 in the City of Brisbane in order to meet the asset capitalization date for the pipeline facility. Before construction began, it was estimated that the project construction schedule allowed for the negotiation and approval process to have been achieved prior to construction for installation of the pipeline through the easement area in downtown Brisbane.

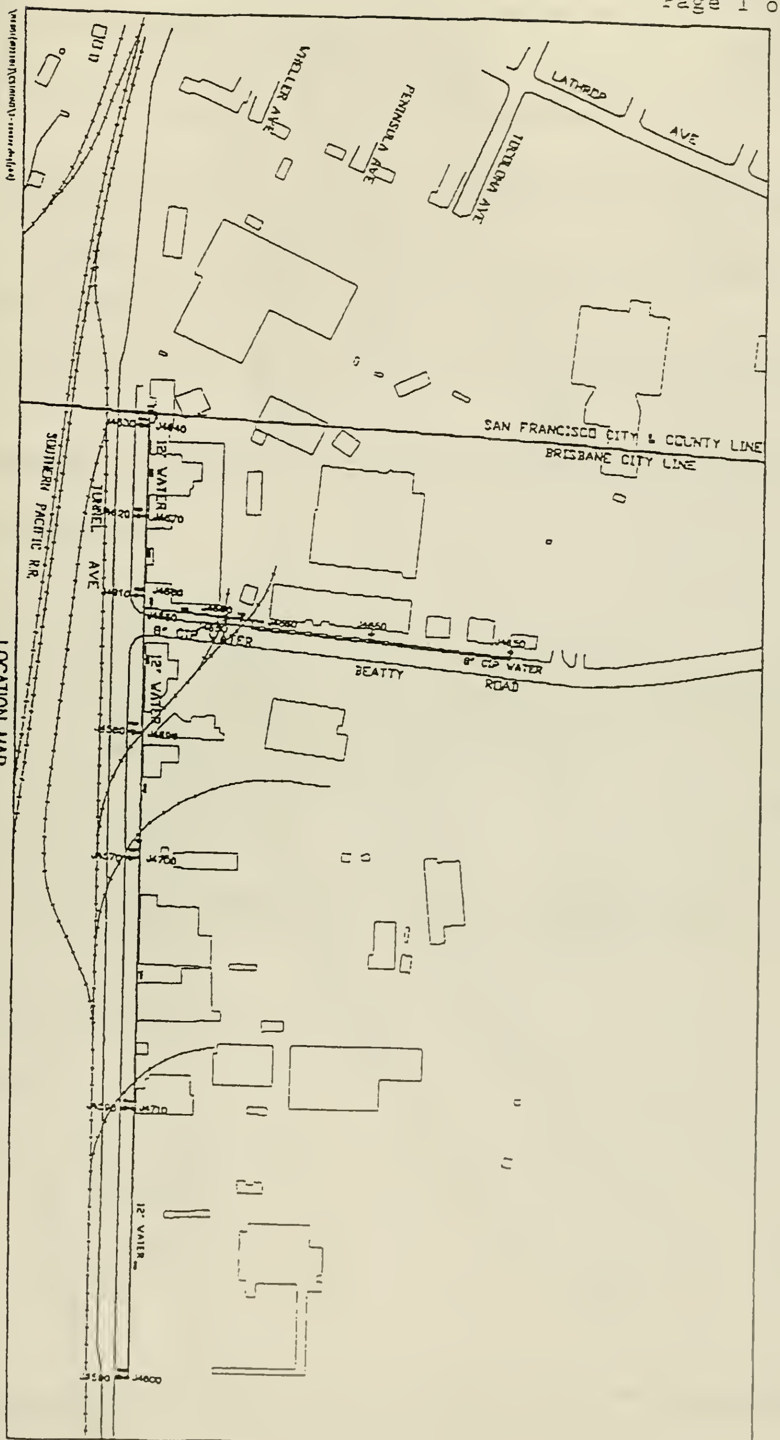
Please fell free to call me if you have any questions.

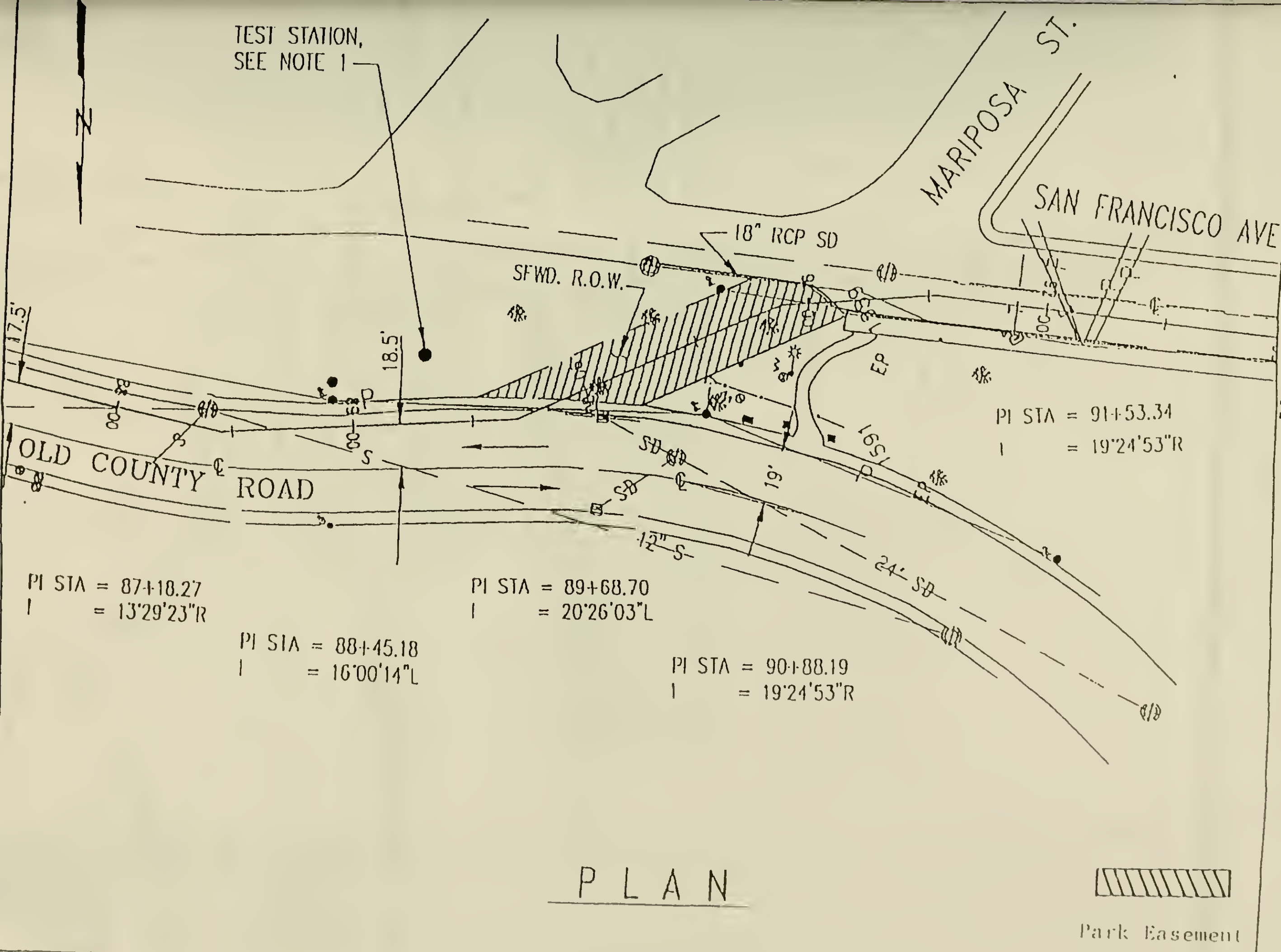
S.F.: (415) 554-1809
Millbrae: (650) 871-2037

Cc E. West C. Nelson

nnel Avenue
Pipeline

LOCATION MAP
N.T.S.





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City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin and Chris Daly

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Wednesday, April 24, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Tom Ammiano.

President Ammiano appointed himself to serve as a member of the Finance Committee at today's meeting.

MEETING CONVENED

The meeting convened at 12:38 p.m.

020144 [Establishing Trial Rates for City Owned Garages and Metered Parking Lots]

Resolution approving trial rates as proposed permanent parking rates, with adjustments, for the Civic Center Garage, the Ellis O'Farrell Garage, the 16th & Hoff Street Garage, the 324-8th Avenue Parking Lot (at 8th and Clement), the 330-9th Avenue Parking Lot (at 9th and Clement) and the 421-18th Avenue Parking Lot (at 18th and Geary) and the Performing Arts Garage. (Parking and Traffic Department)

2/6/02, RECEIVED AND ASSIGNED to Finance Committee.

2/27/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Steven Lee, Parking Authority; Ronald Szeto, Parking Authority.
Continued to 3/20/02.

3/27/02, CONTINUED. Speakers: None.
Continued to 4/10/02,

4/10/02, CONTINUED. Heard in Committee. Speakers: Stephen Wally, Jewelry by Stephen; Ronald Szeto, Acting Director, Parking Authority; Theodore Lakey, Deputy City Attorney; Billie Bragman, Board of Ellis O'Farrell Garage; Paul Serigan.
Continued to 4/24/02.

Speakers: None.
Continued to 5/15/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020193 **[Emergency Response Fee Amendments]**

Supervisors Peskin, Daly

Ordinance amending Articles 6 and 10a of the San Francisco Business And Tax Regulations Code by amending Sections 6.1-1, 750, 751, 753, 755 and 757, deleting section 756 and adding sections 752.2 And 755.1 to clarify the application of the Code's common administrative provisions to the Emergency Response Fee; to provide for use of Emergency Response Fee Revenues for operating costs of the 911 Communication System; to update the findings supporting the fee; to increase the amount of the annual cap on fee payments per account, per service location to reflect inflation; to increase the fee rate for trunk line subscribers and add a rate for high capacity trunk line subscribers; and to eliminate the fee sunset, and amending section 10.100-67 of the San Francisco Administrative Code to allow for use of monies in the Emergency Communications 911 Emergency Response Fund for operating costs of the 911 Communication System.

(Fiscal impact.)

2/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 3/6/2002.

4/8/02, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title, approved as to form.

4/8/02, ASSIGNED to Finance Committee.

4/10/02, CONTINUED. Speakers: None.
Continued to 4/24/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Thera Bradshaw, Executive Director, Emergency Communications Department; Anne Okubo, Director of Finance and Administration, Emergency Communications Department; Julia Friedlander, Deputy City Attorney; Jim Corrigan; Mr. Williams; Taylor Emerson, Mayor's Budget Office.
Supervisors Daly and Ammiano added as co-sponsors.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Ammiano

020194 **[Supplemental Appropriation, Emergency Communications Department]**

Supervisors Peskin, Daly

Ordinance appropriating $2,002,706 from the 911 Access Fee to provide funding for the Civilianization Plan of the Fire/EMS communications functions and offset shortfalls in salaries and overtime for the Emergency Communications Department for fiscal year 2001-02.

(Fiscal impact; Companion measure to File 020195.)

2/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Thera Bradshaw, Executive Director, Emergency Communications Department; Anne Okubo, Director of Finance and Administration, Emergency Communications Department; Julia Friedlander, Deputy City Attorney; Jim Corrigan; Mr. Williams; Taylor Emerson, Mayor's Budget Office.
Amendment of the Whole bearing new title prepared in Committee (reflecting amendments recommended by the Budget Analyst). See file for details.
Supervisors Daly and Ammiano added as co-sponsors.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $1,344,031 from the 911 Access Fee and reappropriating $280,533 in permanent salaries for a total of $1,624,564 to provide funding for the Civilianization Plan of the Fire/EMS communications functions and offset shortfalls in salaries and overtime for the Emergency Communications Department for fiscal year 2001-02.

(Fiscal impact; Companion measure to File 020195.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020195 [Public Employment, Emergency Communications Department]

Supervisors Peskin, Daly

Ordinance amending Ordinance No. 171-01 (Annual Salary Ordinance 2001/02) reflecting the creation of two positions at the Emergency Communications Department.

(Fiscal impact.)

2/4/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Thera Bradshaw, Executive Director, Emergency Communications Department; Anne Okubo, Director of Finance and Administration, Emergency Communications Department; Julia Friedlander, Deputy City Attorney; Jim Corrigan; Mr. Williams; Taylor Emerson, Mayor's Budget Office.

Amended on line 4, by replacing "two" with "one." Further amended on line 17 by replacing "2" with "1" and replacing "FTEs" with "FTE."

Supervisors Daly and Ammiano added as co-sponsors.

AMENDED.

Ordinance amending Ordinance No. 171-01 (Annual Salary Ordinance 2001/02) reflecting the creation of one position at the Emergency Communications Department.

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

020535 [Unrepresented Employees]

Mayor

Ordinance fixing compensation for persons employed by the City and County of San Francisco whose compensations are subject to the provisions of Section A8.409 of the Charter, in jobcodes not represented by an employee organization, and establishing working schedules and conditions of employment and, methods of payment, effective July 1, 2002. (Mayor)

(Fiscal impact.)

4/3/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled at the April 17, 2002 meeting

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Human Resources Department; Jonathan Holtzman, Mayor's Office.

Continued to 5/1/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Ammiano

ADJOURNMENT

The meeting adjourned at 1:50 p.m.

.25

/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 18, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: April 24, 2002 Finance Committee Meeting

Item 1 - File 02-0144

Note: This item was continued by the Finance Committee at its meeting of April 10, 2002.

Department: Department of Parking and Traffic (DPT)
Parking Authority

Item: Resolution approving parking rates at the following seven City-owned parking facilities: the Civic Center Garage, the Ellis O'Farrell Garage, the 16th and Hoff Street Garage, the Performing Arts Garage, the 324 8th Avenue Parking Lot (at 8th and Clement), the 330 9th Avenue Parking Lot (at 9th and Clement), and the 421 18th Avenue Parking Lot (at 18th and Geary).

Description: In accordance with Section 17.14 of the Administrative Code, the Parking and Traffic Commission can establish parking rates at City-owned parking facilities on a trial basis for a period of up to 360 days, without first obtaining approval of the Board of Supervisors. The Parking and Traffic Commission has oversight responsibility of 40 City-owned parking facilities, of which 19 are parking garages and 21 are metered parking facilities. This responsibility includes recommending permanent parking rates to be charged at these parking

facilities, which are subject to approval, by the Board of Supervisors.

The proposed resolution would adopt permanent parking rates recommended by the Parking and Traffic Commission at the seven City-owned parking facilities identified above, generally at the same rates which had been implemented by the DPT on a trial basis. A comparison of the proposed subject recommended permanent parking rates to both the original parking rates previously approved by the Board of Supervisors and to the trial parking rates established by the Parking and Traffic Commission, is shown in Attachment I, provided by Mr. Steven Lee of the Parking Authority. Attachment II, provided by Mr. Lee, explains the adjustments between the previously established trial parking rates and the proposed subject permanent parking rates at the seven City-owned parking facilities.

According to Mr. Lee, the existing parking rates for the seven subject City-owned parking facilities were implemented by the DPT on a trial basis as follows:

Garage	Trial Period Start Date	360-day Expiration Date
Civic Center Garage	September 1, 2001	August 26, 2002
Ellis O'Farrell Garage	March 1, 2001	February 26, 2002
16th and Hoff Street Garage	March 1, 2001; December 1, 2001	February 26, 2002; November 26, 2002*
Performing Arts Garage	October 1, 2001	September 25, 2002
324 8th Avenue Parking Lot	August 14, 2001	August 9, 2002
330 9th Avenue Parking Lot	August 14, 2001	August 9, 2002
421 18th Avenue Parking Lot	August 14, 2001	August 9, 2002

*According to Mr. Lee, trial valet parking rates were implemented on March 1, 2001 and increased long-term valet parking rates were implemented on December 1, 2001 for the 16th and Hoff Street Garage.

According to Mr. Lee, the DPT implemented the parking rates on a trial basis to meet the Department's objectives to reduce traffic, promote short-term transient parking, discourage low-occupancy commuter parking and increase revenues in City-owned parking facilities.

As shown in Attachment III, provided by Mr. Lee, the subject seven City-owned parking facilities currently have a total parking space capacity of approximately 2,600 parking spaces. According to Mr. Lee, the 2,600 parking spaces accommodate both approximately 968 monthly parking patrons and approximately 101,500 transient parking patrons per month.

Comments:

1. Attachment III, also contains projected parking revenues for FY 2001-2002 and for FY 2002-2003 for the subject seven City-owned parking facilities. As shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven City-owned parking facilities will generate estimated total gross parking receipts of $8,643,600 in FY 2001-2002 or $76,038 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. Also shown in Attachment III, Mr. Lee estimates that the proposed permanent parking rates for all seven parking facilities will generate estimated total parking receipts of $8,881,000 in FY 2002-2003 or $313,438 more than the actual parking receipts of $8,567,562 collected in FY 2000-2001. According to Mr. Lee, the projected total parking receipts for the Civic Center Garage for FY 2001-2002 and the projected total parking receipts for the Ellis O'Farrell Garage were both affected by the events of September 11, 2001.

2. In Attachment II Mr. Lee explains the valet transient parking rates at the 16th and Hoff Street Garage.

3. Mr. Lee advises that trial monthly carpool rates at the Ellis O'Farrell Garage and the 16th and Hoff Street Garage, as shown in Attachment I, were designed to encourage carpooling and to open up more parking spaces for increased short term parking. To qualify for the carpool rate there must be three or more occupants in the vehicle. According to Mr. Lee, the "Re-opening Garage Fee" rates listed in Attachment I do not accrue to the City but rather accrue to the garage operators.

Recommendation: Approval of the proposed resolution is a policy decision for the Board of Supervisors.

CIVIC CENTER GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Day Rates (Opening until 7:00 pm)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
Lost Ticket	18.00	18.00	18.00
Special Event	8.00	9.50	9.50
Motorcycle	1.00	1.00	1.00
Student	5.00	5.00	5.00
Bicycle	Free	Free	Free
Berkeley Repertory Theatre/Bart	N/A	4.00	4.00
Overnight Flat Rate	N/A	2.00	2.00
Overnight Flat Rate Hours	(9:00 PM to 9:00 AM Mon through Fri) (9:00 PM to 12:00 PM Sat and Sun)		
Evening Rates (7:00 pm until Closing)			
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
Monthly Parking			
Regular	156.25	156.25	156.25
Resident	90.00	90.00	90.00
Motorcycle	25.00	25.00	25.00
Government	125.00	125.00	125.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00
Restricted	N/A	75.00	75.00
Restricted - (No Parking between 9:00 AM to 6:00 PM Monday through Friday)			75.00
Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

ELLIS O'FARRELL GARAGE

	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking			
Mon.-Sat. Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	2.00	2.00
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	5.00	4.00	4.00
3.0 - 4.0 Hours	7.00	6.00	6.00
4.0 - 5.0 Hours	9.00	9.00	9.00
5.0 - 6.0 Hours	12.00	12.00	12.00
6.0 - 7.0 Hours	15.00	15.00	15.00
Over 7 Hours	15.00	20.00	20.00
Maximum Mon.-Sat. Day Rate	15.00	20.00	20.00
Motorcycle Flat Fee	3.00	3.00	3.00
Sunday Day Rates (5:30 am to 6:00 pm)			
0.0 - 1.0 Hour	1.00	1.00	2.00
1.0 - 2.0 Hours	3.00	2.00	3.00
2.0 - 3.0 Hours	5.00	3.00	4.00
3.0 - 4.0 Hours		4.00	6.00
4.0 - 5.0 Hours		5.00	
Maximum Sunday Day Rate	5.00	5.00	6.00
Evening Rates (every night 6:00 pm until closing)			
0.0 - 1.0 Hour	1.00	1.00	1.00
1.0 - 2.0 Hours	3.00	2.00	2.00
2.0 - 3.0 Hours	5.00	3.00	3.00
3.0 - 4.0 Hours		4.00	4.00
4.0 - 5.0 Hours		5.00	5.00
Maximum Evening Rate	5.00	5.00	5.00
Lost Ticket and 24 Hour Maximum			
Monday through Saturday	20.00	25.00	25.00
Sunday	10.00	10.00	11.00
Monthly Parking			
Regular	195.00	250.00	250.00
Carpool	N/A	125.00	125.00
Miscellaneous Charges			
Late Monthly Payments	N/A	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	N/A	25.00	25.00
Access Card Deposit	25.00	50.00	50.00
Re-opening Garage Fee	N/A	50.00	50.00

16th and Mott Street Garage

	Original Parking Rate	Trial Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
Transient Parking				
Metered each 30 minute	0.25			
Transient Vehicles Self-Park (2 hour limit) (Enforced 9:00 am to 6:00 pm)				
Flat Rate (opening until 6:00 pm)		2.00		
Flat Rate (6:00 pm until closing)		4.00		
Transient Vehicles - Valet Parking Only				
All Day Rates				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour			2.00	
1.0 - 2.0 Hours			2.00	
2.0 - 3.0 Hours			2.00	
3.0 - 4.0 Hours			3.00	
4.0 - 5.0 Hours			4.50	
5.0 - 6.0 Hours			6.00	
6.0 - 7.0 Hours			8.00	
7.0 - 24 Hours			12.00	
Day Rates (opening until 6:00 pm)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				1.00
1.0 - 2.0 Hours				2.00
2.0 - 3.0 Hours				3.00
3.0 - 4.0 Hours				4.00
4.0 - 5.0 Hours				6.00
Evening Rates (6:00 pm until closing)				
Transient Vehicles - Valet Parking Only				
0.0 - 1.0 Hour				2.00
1.0 - 2.0 Hours				4.00
2.0 - 3.0 Hours				6.00
24 Hour maximum				12.00
Lost Ticket	N/A	6.00	12.00	12.00
Monthly Parking				
Regular	75.00	75.00	75.00	100.00
Carpool	N/A	N/A	50.00	50.00
Monthly Patrons Self-Park on Roof Level				
Miscellaneous Charges				
Late Monthly Payments				25.00
Lost Access Card				25.00
Damaged Access Card				25.00
Access Card Deposit				50.00
Re-opening Fee				50.00

Exhibit C

PERFORMING ARTS GARAGE

Transient Parking	Original Parking Rates	Trial Parking Rates	Proposed Permanent Parking Rates
0.0 - 1.0 Hour	1.50	1.50	1.50
1.0 - 2.0 Hours	3.00	3.00	3.00
2.0 - 3.0 Hours	4.50	4.50	4.50
3.0 - 4.0 Hours	6.00	6.00	6.00
4.0 - 5.0 Hours	8.00	8.00	8.00
5.0 - 6.0 Hours	10.00	10.00	10.00
6.0 - 7.0 Hours	12.00	12.00	12.00
24 Hour Maximum	15.00	14.00	14.00
Lost Ticket	15.00	15.00	14.00
Early Bird	7.00	7.00	7.00
Motorcycle	2.00	2.00	2.00
Special Event	8.00	9.50	9.50
Overnight Flat Rate	3.00	2.00	2.00
Overnight Flat Rate Hours Must enter before closing and remain overnight.	(From closing until 9:00 am)	(From 9:00 PM until 12 noon next day the garage is open for business)	

Monthly Parking			
Regular	140.00	140.00	140.00
City Departments	75.00	75.00	75.00
Carpool	75.00	75.00	75.00

Miscellaneous Charges			
Late Monthly Payments	25.00	25.00	25.00
Lost Access Card	25.00	25.00	25.00
Damaged Access Card	25.00	25.00	25.00
Access Card Deposit	50.00	50.00	50.00
Re-opening Garage Fee	50.00	50.00	50.00

Metered Parking Lots

	Original	Trial & Proposed Permanent
324 8th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
330 9th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (2 hour time limit)
421 18th Avenue Lot		
Days of Operation	Monday thru Saturday	Daily (including Sundays and Holidays)
Hours of Operation	9:00 AM to 6:00 PM	9:00 AM to 12:00 Midnight
Rate: Automobile	$0.50 per hour (2 hour time limit)	$0.50 per hour (1-Hour time limit 9 AM to 6 PM) (2-Hour time limit 6 PM to 12 AM)

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

City and County of San Francisco

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: February 20, 2002

TO: Maureen Singleton
Budget Analyst Office

FROM: Steven Lee
Principal Analyst
Parking Authority

SUBJECT: File No. 02-0144, Resolution Approving Trail Rates as Permanent Rates at Various City Garages and Metered Parking Lots

---

The purpose of this memorandum is to address your questions regarding the operations of the 16th & Hoff Street Garage, the Revenues Projections for FY 2000-2003 and the differences between the Trial Rates and the Proposed Permanent Parking Rates.

The St. Mary's Square Garage and the 16th and Hoff Street Garage is jointly operated under one Management Agreement, dated October 1, 1997, between Parking Concepts, Inc./DAJA, Inc. and the City. The Management Agreement also required the operator to manage the 16th & Hoff Street Garage which at that time was a self-park metered per stall facility with controlled monthly parking on the roof level that only required the operator to provide a security presence.

In February 2001, after meeting with the Mission District Community, in October 2000, to discuss their concerns regarding quality of life issues that included off-street parking, we removed the parking meters and requested the operator to begin valet attendant operations at the 16th & Hoff Street Garage to increase parking availability that commenced on March 1, 2001. Under the terms of the Management Agreement, the cost of valet attended operation from March 1, 2001 through December 2001 is $148,992 for the additional services. The Total Parking Receipts (including Parking Tax) of $167,925 from March 1, 2001 though December 1, 2001 covers the expenses by $18,933. However, the 16th & Hoff Street Garage generated $43,890 in the prior year for the same ten months before implementing valet attendant services.

554-PARK FAX (415) 554-9874

File No. 02-0144
February 20, 2002
Page 2 of 2

We feel that the services provided to the community by the 16th & Hoff Street Garage greatly improves the quality of life for the residents, merchants and visitors of that neighborhood and that this program is worthy of continuing despite the initial reduction in revenue to the City.

In regard to the comparison of FY 2000-2001 Actual to the FY 2001-2002 Projected and the FY 2002-2003 Projected Parking Receipts, we project an increase of $76,038 or 9/10th of a percent for FY 2001-2002 compared to FY 2000-2001 Actual. We project that FY 2002-2003 will be above the FY 2001-2002 by $237,400 or 2.7 percent.

Differences between Trial Rates and Proposed Permanent Parking Rates:

Performing Arts Garage – Lost Ticket from $15.00 to $14.00. The Lost Ticket Rate should equal the 7.0-Hour Rate of $12.00 plus the Overnight Flat Rate of $2.00.

Civic Center Garage – No Difference.

Ellis O'Farrell Garage – We propose adjusting the Sunday Day Rates to reflect the Mon.-Sat. Day Rates with a Maximum Sunday Day Rate of $6.00. The Lost Ticket and 24-Hour Maximum of $11.00 for Sundays reflect the Maximum Sunday Day Rate of $6.00 plus the Maximum Evening Rate of $5.00.

16th & Hoff Street Garage – We propose to discontinue the All Day Rates and implement Day Rates and Evening Rates to balance the needs of the community and the demand for parking at the garage. The initial Trial Rates attracted too many long-term patrons and the second Trail Rates caused the garage to be underutilized because the patrons are either unwilling or could not afford to pay the rates. Please note that all Transient vehicles are valet parked and Monthly patrons self-park on the roof level.

Metered Parking Lots – No Difference.

Please do not hesitate to call me at 554-9869 if you have any questions or concerns.

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Attachment III

RATE ADJUSTMENT COMPARISON

Garage / Lot	Effective Date of Rate Adjustment	Current Months of Comparison with same Months of Prior Year	Total Parking Receipts Prior	Total Parking Receipts Current	Total Parking Receipts Difference	Transient Count Prior	Transient Count Current	Transient Count Difference	Monthly Count Prior	Monthly Count Current	Monthly Count Difference
Civic Center	September 1, 2001	Sept. 01 thru Dec. 01	960,000	925,050	(135,210)	130,490	125,230	(5,260)	1,561	1,677	116
Ellis O'Farrell	March 1, 2001	Mar. 01 thru Dec. 01	3,444,016	3,423,400	(20,609)	653,079	680,189	27,110	1,572	1,753	181
16th & Hoff Street	March 1, 2001	Mar. 01 thru Nov. 01	43,890	162,540	100,850	N/A	39,243	N/A	384	570	192
	December 1, 2001	Dec 01	6,724	16,377	9,653	N/A	3,108	N/A	40	84	15
Performing Arts	October 1, 2001	Oct. 01 thru Dec. 01	450,825	640,233	85,408	40,821	40,702	2,081	927	958	31
324 8th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	9,131	10,090	985	N/A	N/A	N/A	N/A	N/A	N/A
330 8th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	6,951	7,022	1,071	N/A	N/A	N/A	N/A	N/A	N/A
421 18th Avenue Lot	August 14, 2001	Sept. 01 thru Dec. 01	7,493	9,057	1,564	N/A	N/A	N/A	N/A	N/A	N/A
Totals			$ 4,927,697	$ 4,989,360	$ 61,492	830,490	887,550	24,711	4,493	5,020	535

FY 2000 - 2001 ACTUALS AND FY 2001 - 2003 PROJECTIONS

Garage / Lot	FY 2000-2001 Actual	FY 2001-2002 Projected	FY 2002-2003 Projected	Garage/Lot Parking Space Capacity
Civic Center	$ 2,700,707	$ 2,000,000	$ 2,000,000	843
Ellis O'Farrell	4,205,998	4,003,000	4,250,000	950
16th & Hoff Street	100,048	207,800	252,000	90
Performing Arts	1,407,225	1,700,000	1,700,000	818
324 8th Avenue Lot	27,087	30,000	31,500	31
330 8th Avenue Lot	17,707	10,000	19,000	20
421 18th Avenue Lot	21,870	27,000	28,500	34
Totals	$ 8,507,602	$ 8,043,000	$ 8,081,000	2,000

Note: Parking Taxes are not applicable at Metered Parking Lots.
Parking Taxes are included in Total Parking Receipts for Parking Garages.

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

City and County of San Francisco

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

DATE: March 7, 2002

TO: Maureen Singleton, Analyst
Budget Analyst's Office

FROM: Ronald Szeto, Acting Director RS
Parking Authority

RE: Trial Parking Rates File No. 02-0144

The purpose of this memorandum is to provide a status update on the 121 O'Farrell Street ground floor commercial space per your request. This request was initiated at the February 27, 2002 Finance Committee meeting of the San Francisco Board of Supervisors in conjunction with consideration of trial parking rates at the Ellis O'Farrell Garage (File No. 02-0144).

It is important to note that the parking rates being considered are only applicable to our parking patrons and have no relationship to the ground floor commercial space lease in question.

Pursuant to the 1992 Lease between the City and County of San Francisco and the City of San Francisco Ellis-O'Farrell Parking Corporation (the "Corporation"), the Corporation is authorized to lease commercial spaces within the Ellis-O'Farrell Garage (the "Garage").

At the February 5, 2002 Parking and Traffic Commission meeting, Mr. Jerome Garchik, attorney representing 15-20 small business owners of the 121 O'Farrell site (subsequently known as 121 O'Farrell Merchants Association "Merchants"), reported that his clients are getting evicted. Mr. Garchik further states that the Corporation is seeking "dot com" boom or rent increases and is looking for a high profile tenant. Mr. Steven Wally, owner of Jewelry By Steven since 1984 at the 121 O'Farrell site, also commented at the meeting. Mr. Wally asked the Parking and Traffic Commission to provide some assistance to the Merchants from being evicted. The Department of Parking and Traffic offered to review the situation and provide assistance to the small business owner.

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25 Van Ness Avenue, Suite 410
San Francisco, CA 94102-4572

Maureen Singleton
3-7-02
Page 2 of 4

Findings

- The Corporation has a lease agreement with Wholesale Jeweler's Exchange, LLC. ("WJE") for the 121 O'Farrell commercial space (4,483 square feet). The WJE sub-leases the commercial space to the Merchants.

- On May 1, 2000, the Corporation and WJE agreed to amend the original 1997 lease to terminate said lease on May 31, 2001. Thereafter, the lease was amended to a month-to-month basis with either party having the right to terminate with 60-days written notice. Subsequently, on December 24, 2001, WJE gave termination notices to the Corporation and to the Merchants effective February 28, 2002. In addition, WJE gave at least three (3) other updates/notices to the Merchants regarding the termination of the lease. (Attached are the Notices)

- Corporation, in preparation of renting the 121 O'Farrell commercial space, started a solicitation process for an exclusive broker.

- At the Corporation's June 28, 2000 meeting, the Corporation selected Blatteis Realty to advertise the commercial space and subsequently executed a 6-month listing agreement commencing September 5, 2000.

- Blatteis advertised the commercial space and in October 2000, posted "For Lease" signs above the main entrance of the commercial space.

- Some of the small business owners of the 121 O'Farrell space started searching for a new business location.

- In February 2001, the Parking Corporation granted Blatteis an extension to the listing agreement until September 5, 2001.

- In September 2001, the tenant of the 133 O'Farrell commercial space (1,127 square feet) was evicted for non-payment of rent and the 133 O'Farrell site became available.

- In September 2001, Blatteis identified Saab Cars USA, Inc. as the only interested party, with sufficient funding, for the 121 O'Farrell site. Since then the Parking Corporation has been in a good faith negotiation with Saab. Although there are not any explicit non-interference clause, the good faith negotiation implies that the Corporation and Saab would negotiate until a conclusion is reached.

- On October 15, 2001, subject to the Saab good faith negotiations, the Corporation executed a listing agreement with a new broker, DiChiara & Wright Realty Services for the marketing of both the 121 and 133 O'Farrell sites.

- On October 17, 2001 Board of Directors meeting, the broker presented eight offers (of which three were made by 121 O'Farrell small business owners). In November 2001, the Corporation executed a ten (10) year lease, commencing on January 1, 2002, for the 133 O'Farrell site with a partnership comprised of an established outside jeweler and one of the small business owners of the 121 O'Farrell site. The small business is and still will continue to sub-lease space from WJE until the build-out of the 133 O'Farrell site is completed (until March 31, 2002). The small business owner reported that several other merchants verbally agreed to rent a portion of the 133 O'Farrell site.

- On December 24, 2001, as mentioned above, WJE served notice of termination (effective February 28, 2002) to the Merchants for the 121 O'Farrell site.

- On February 5, 2002 Parking and Traffic Commission meeting, representative of the small business owners commented that they were being evicted from a public property without proper notice and asked the Parking and Traffic Commission for assistance.

Options

- What appears as a straightforward request by the Merchants became very complicated as we began our assistance.

- There are seven (7) separate parties involved in these two commercial spaces. The City, the Corporation, WJE, the Merchants, the brokers, Saab, and the partners of the 133 O'Farrell site.

- The City and the Corporation do not have legal authorization to dictate terms and condition involving the contractual relationship between WJE and the Merchants.

- If the City directs the Corporation to terminate their good faith negotiations with Saab and conduct exclusive negotiations with the Merchants, then the City would be interfering in a contractual relationship and together with the Corporation could be liable for all costs incurred by Saab and brokers. Also, the City maybe liable for damages to the partners of the 133 O'Farrell site. Furthermore, the City would reward tenants who failed to act responsibly in seeking new business locations and would punish the 133 O'Farrell partners merchants who did act responsibly in moving into the 133 O'Farrell site. If the City decides to pursue this option, the Department of Parking and Traffic recommends that the Merchants shall indemnify the City and the Corporation, and that the Merchants shall be fully responsible for any and all subsequent liability, including but not limited to, damages mentioned above.

Maureen Singleton
3-7-02
Page 4 of 4

In addition, the Merchants shall secure proper insurance and bonds to fulfill the indemnification requirement.

- Since the lease agreement with WJE would have expired on February 28, 2002, the Department of Parking and Traffic encouraged the Corporation and WJE to extend the lease agreement for 60-90 days. The Corporation through WJE proposed a 90-day extension for the Merchants under the same terms and conditions.

- The Merchants are urged to use this time to explore any and all options. The Department of Parking and Traffic suggests that the Merchants contact the Fifth and Mission Garage for available commercial spaces as another option.

- If the City allows the Corporation to continue their good faith negotiations with Saab, the City would not be liable for any potential damages. The Merchants would have at least 90 days to explore other options. Since the market conditions are favorable to renters, the Merchants may find a better location at a reasonable rent. The partners of 133 O'Farrell would continue to conduct business as usual from the 121 or 133 O'Farrell sites. If the good faith negotiations with Saab were to break off naturally, then the Merchants will have a second opportunity to participate for this site in a competitive process.

Cc: Fred Hamdun, Executive Director, DPT
Diana Hammons, DPT
Daniel Hwang, Small Business
Richard Dole, Ellis-O'Farrell Corporation
Honorable Members, Parking and Traffic Commission
Honorable Members, Board of Supervisors

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Item 2 - File 02-0193

Department: Emergency Communications Department (ECD)

Item: Ordinance amending articles 6 and 10A of the San Francisco Business and Tax Regulations Code by amending Section 6.1-1, 750, 751, 753, 755, and 757, deleting section 756 and adding sections 752.2 and 755.1 to clarify the application of the Code's common administrative provisions to the Emergency Response Fee; to provide for use of the Emergency Response Fee revenues for operating costs of the 911 Communication System; to update the findings supporting the fee; to increase the amount of the annual cap on fee payments per account, per service location to reflect inflation; to increase the fee rate for trunk line subscribers and add a rate for high capacity trunk line subscribers; and to eliminate the fee sunset, and amending Section 10.100-67 of the San Francisco Administrative Code to allow for use of monies in the Emergency Communications 911 Emergency Response Fund for operating costs of the 911 Communications System.

Description: The proposed ordinance would amend the Business and Tax Regulations Code relating to the Emergency Response Fee assessed on commercial and residential telephone service subscribers, to:

- Increase the level of the Emergency Response Fee for telephone subscribers who use trunk lines and high capacity trunk lines;
- Raise the Emergency Response Fee cap for high volume telephone subscribers;
- Eliminate the Emergency Response Fee sunset date; and,
- Provide for the use of Emergency Response Fee revenues for the operating costs of the Emergency Communications Department.

Currently, Emergency Response Fee revenues can only be used to fund capital expenditures for the Emergency Communications Center, including equipment, and the payment of debt service on bonds issued to fund capital projects. Under the current San Francisco Business and

Tax Regulations Code, revenues from the Emergency Response Fee cannot be used for operations of the Emergency Communications Department including the costs of personnel for the operation of the Emergency Communications Center.

Emergency Response Fees are charged to commercial and residential telephone subscribers through bills from telephone companies. Under the current Business and Tax Regulations Code, the Emergency Response Fee paid by telephone subscribers is $1.00 per each single access line and $5.00 for each trunk line. The fee is charged to eligible[1] commercial and residential lines in San Francisco. A trunk line is a type of line allowing multiple users access to local telephone service. Currently, there is an annual cap of $20,000 on the total Emergency Response Fees that can be assessed per telephone subscriber account per service location. The current Code contains a sunset provision, requiring that the Fees would be discontinued when the Controller has determined that total Fee revenues are sufficient to fund the capital improvement project costs needed for the 911 Emergency Facilities in the Emergency Communications Center located at Gough and Turk Streets. Also, the current Code provides that total Fee revenues to be collected from all telephone service subscribers cannot exceed $100,000,000. Ms. Okubo reports that from December of 1993 when the Fees were established through February 28, 2002, the City has realized $70,452,378 in Emergency Response Fee revenues. According to Ms. Okubo, under the current Code provisions the ECD estimates that $100,000,000 in such Fees will have been collected by April of 2004.

For FY 2000-2001, the City received $14,459,934 in Emergency Response Fee revenues. Ms. Anne Okubo of ECD states that based on the current Fee levels, ECD projects Emergency Response Fee revenues of $14,552,836 for FY 2001-2002 and $14,520,000 for FY 2002-2003, if this proposed ordinance is not approved by

[1]The Emergency Response Fee is not imposed on "exempt" telephone subscribers. "Exempt" subscribers include non-profit hospitals and educational organizations, lifeline customers, governmental agencies, the City, and coin-operated telephones.

the Board of Supervisors. The Fees charged to telephone subscribers are collected by telephone service providers who in turn remit such Fee revenues to the City.

All Emergency Response Fee revenues are deposited to the Emergency Communications 911 Emergency Response Fund. As previously noted, currently the Fees can only be used for capital related expenditures for the Emergency Communications Center facilities. Under the proposed ordinance, the Fees may be expended not only for the capital costs for the Emergency Communications Center facilities and for backup Emergency Communications Center facilities, but also for operating, repair and maintenance costs of the Emergency Communications Center facilities and any backup Emergency Communications Center facilities. Eligible operating costs of the Emergency Communications Center and the backup Emergency Communications Center would include costs for personnel, training, software and hardware maintenance and upgrades, facility maintenance and repair and attorneys' fees. Ms. Pamela Levin of the Controller's Office reports that as of the writing of this report, the balance of the 911 Emergency Response Fund is $5,091,541. All Fees deposited to the 911 Emergency Response Fund are subject to appropriation approval of the Board of Supervisors.

This ordinance would also provide that the amount of the annual cap on Fee payments per account per service location would increase by $5,000 or 25 percent from $20,000 to $25,000 for Calendar Year 2002, and thereafter would be subject to annual adjustments based on the Consumer Price Index. According to Ms. Taylor Emerson of the Mayor's Budget Office, less than 10 telephone service providers would be affected by the increase in the cap. The proposed ordinance would also eliminate the sunset provisions related to the Fees, by deleting the provision which limits total Fee revenues to be collected by the City at $100,000,000, thereby resulting in an unlimited amount of Fee revenues which can be realized by the City in accordance with the proposed authorized Fee levels. The proposed ordinance provides that the Fee for each eligible telephone access line would

remain at $1.00 per month. However, the fee for each eligible trunk line would increase from $5.00 to $7.50 per month, beginning July 1, 2002. The proposed fee for each high capacity trunk line would be $135 per month.

The proposed ordinance also provides that the Controller prepare a report no later than April 1 of each year that estimates the percentage of eligible access lines subject to the Emergency Response Fees to all access lines (exempt and non exempt) in order to determine the related percentage of emergency communications services costs eligible to be covered by Emergency Response Fee revenues. Also, the proposed ordinance provides that no later than April 1 of each odd numbered year, the Controller must evaluate whether the Fee rates for trunk lines and high capacity trunk lines reasonably reflect the benefit these lines derive from access to the 911 communication system.

Comments:

1. The ECD is requesting a supplemental appropriation totaling $2,002,706 and an amendment to the Annual Salary Ordinance (see Files 02-0194 and 02-0195) which will be funded from the proposed increased Emergency Response Fee revenues.

2. According to Ms. Emerson, the proposed increases in the Fee levels for trunk lines and high capacity trunk lines were calculated by the Mayor's Budget Office in order to be consistent with the amount of benefit derived from the trunk lines. Mr. Brian Roberts of the Department of Telecommunications and Information Services reports that the proposed Emergency Response Fee increase for trunk lines, from $5.00 to $7.50 per month is consistent with California Public Utilities Commission (CPUC) and Federal Communication Commission (FCC) single access line to trunk line equivalency ratios. The CPUC has used a ratio of 1:10 (one trunk line for every ten single access line equivalents) to develop rates for trunk lines and has found that each trunk serves between five and ten access lines.[2] For purposes of charges the FCC imposes on a per

[2] CPUC Decision 94-09-065, Appendix B, p. B-11. CPUC Decision 91-01-018, Appendix B, p. B-1.

line basis, the FCC has determined that there is an average 1:9 ratio (one trunk line for every nine single access line equivalents) of trunk lines to single access lines.[3] Based on these CPUC and FCC determinations, Ms. Emerson advises that the Mayor's Budget Office concluded that trunk line subscribers receive an average of 7.5 times the benefit of access to emergency communication services than single access line subscribers and therefore the $7.50 fee per trunk line is reasonable.

3. Mr. Roberts advises that the proposed ordinance includes a provision that high capacity trunk lines be charged $135 per month for the Emergency Response Fee, based on a ratio of 1:18 for high capacity trunk lines to trunk lines (one high capacity trunk line would be equivalent to 18 trunk lines), which equates to 18 times $7.50 and a ratio of 1:135 for high capacity trunk lines to single access line equivalents (one high capacity trunk line would be equivalent to 135 single access lines). Mr. Roberts states that the ratio of high capacity trunk lines to single access line equivalents, or 1:135 (one high capacity trunk line for every 135 single access line equivalents) is reasonable because high capacity trunk lines generally have a capacity more than 135 times a single line and would therefore derive an average of 135 times the benefit of access to emergency communication services than single access line subscribers. Mr. Roberts advises that telephone service providers offer 24 channel trunk lines which can accommodate 24 times the number of access line equivalents as a trunk line and 180 times (24 times 7.5) a single line based on a ratio of 7.5 single access lines per trunk line and therefore high capacity trunk line subscribers derive a larger benefit from emergency communications services. Mr. Roberts advises that in the City's own internal operations, the City actually serves an estimated average of 135 end users with the City's high capacity trunk lines, based on the actual utilization patterns in specific locations. Because the City typically uses the ratio of 135 end users per high capacity trunk for the City's internal operations, a 1:135

[3] FCC Decision FCC 97-368, paragraph 31.

ratio (one high capacity trunk line for every 135 single access line equivalents) has been recommended by the DTIS for the high capacity trunk lines to single access line equivalents. Therefore, according to Ms. Emerson the Mayor's Budget Office has calculated a $135 fee level for high capacity trunk lines.

4. Ms. Friedlander reports that the City can only collect fees equal to the costs for providing 911 communication services for the telephone subscribers who pay the fee. Therefore, the City's General Fund must cover the costs for emergency communication services for telephone users who are exempt from paying the Fee such as governmental agencies, as previously noted in Footnote 1. As shown in Attachment I, provided by the ECD, exempt users account for an estimated 17 percent of the telephone lines throughout San Francisco, which means the City's General Fund must provide 17 percent of the money used to pay for emergency communications services. As shown in Attachment II, provided by ECD, the City's General Fund would pay for approximately 58 percent or $19.1 million of the FY 2001-2002 ECD revised budget of $33.1 million and the Emergency Response Fees would pay for approximately 42 percent or $14 million of the FY 2001-2002 ECD revised budget if this proposed ordinance as well as the proposed ordinances under Files 02-0194 and 02-0195 are approved.

5. Ms. Okubo advises that under this proposed ordinance ECD projects Emergency Response Fee revenues of $15,422,224 for FY 2002-2003, or $902,224 more than the $14,520,000 projected to be collected under the current Fee levels. This $902,224 increase in Fee revenues combined with the proposed provision to permit the Emergency Response Fees to fund ECD operating costs would enable the ECD to fund its proposed civilianization plan as described in Attachment II. In Attachment II, Ms. Okubo states that if this ordinance, as well as the proposed ordinances under Files 02-0194 and 02-0195 are approved, "ECD will implement a plan to hire civilian dispatchers over the next several years to replace 54 Fire/EMS uniformed personnel that currently operate Fire/EMS dispatch."

6. Emergency Response Fees were last increased by the Board of Supervisors in October of 1997 from $0.50 per access line to $1.00 per access line per month and from $2.50 per trunk line to $5.00 per trunk line per month (File 127-97-1.1).

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Attachment I

Emergency Communications Department
911 Fee
Exempt and Non-Exempt Telecom Lines
Proposed Ordinance (1)

Number of lines subject to fee	Qty	# Lines	Total Line Equivalent
# of access lines	570,857	1.00	570,857
# of trunks	24,743	7.50	185,573
# of super trunks	480	135.00	64,800
# wireless (2)	333,610	1.00	333,610
Subtotal			1,154,840
Number of exempt lines			
# of lifeline customers	95,573	1.00	95,573
# of access lines	67,348	1.00	67,348
# of trunks	7,796	7.50	58,470
# of super trunks	84	135.00	11,340
# wireless	4,093	1.00	4,093
Subtotal			236,824
Total (3)			1,391,664
Percent subject to fee			83.0%
Percent exempt			17.0%

(1) Based on sample from largest remitters in October 2001 and March 2002 repre
of total fee revenues.
(2) Source: Mayor's Office, Oct 2001.
(3) Does not include 31,000 accounts with services presumed not to meet the defi

Attachment II
Emergency Communications Department
1011 Turk Street, San Francisco, CA 94102
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

MEMORANDUM

TO: **Harvey Rose**
Budget Analyst

FROM: **Anne Okubo**
Director of Finance and Administration

DATE: **April 15, 2002**

RE: **Emergency Response Fee Ordinance**

The Emergency Communications Department (ECD) is requesting approval of a proposed ordinance that will revise the Emergency Response Fee.

Background
In December 1993 and again in October 1997, the Board of Supervisors approved an ordinance authorizing an Emergency Response Fee that required subscribers to telephone services in the City and County of San Francisco to pay a fee that directly related to the benefit subscribers derived from improvements in the 911 communication system. The Emergency Response Fee financed the acquisition and construction of land, equipment, software, and facilities for the 911 communication system operated by ECD.

Proposed Revisions to the Emergency Response Fee
The Emergency Communications Department is requesting that the Emergency Response Fee be revised to increase monthly fees for trunk lines and to allow the use of the fee for operating expenses. ECD is also requesting approval of a $2.0 million supplemental appropriation. If approved, ECD will implement a plan to hire civilian dispatchers over the next several years to replace 54 Fire/EMS uniformed personnel that currently operate Fire/EMS dispatch. Increased revenues derived from the fee and approval to use the fee for operating expense will allow ECD to fund this civilianization effort. Currently the ECD budget is:

	General Fund	Emergency Response Fee	Total
FY 01-02 Budget per AAO	$19.1	$12.0	$31.1
	61%	39%	100%

If the supplemental appropriation of $2,002,706 is approved and if the fee ordinance is revised to allow the fund to be used for operating expenses the ECD revised budget will be:

	General Fund	Emergency Response Fee	Total
FY 01-02 Revised Budget	$19.1	$14.0	$33.1
	58%	42%	100%

If you have any questions, please call me at 558-3886.

cc: Thera Bradshaw

Items 3 and 4 - Files 02-0194 and 02-0195

Department: Emergency Communications Department (ECD)

Items: Item 3. File 02-0194: Ordinance appropriating $2,002,706 from 911 Emergency Response Fee revenues to provide funding for the Civilianization Plan of the Fire and Emergency Medical Services (EMS) communications functions and to provide funding to offset projected shortfalls in salaries, overtime and fringe benefits for the Emergency Communications Department for Fiscal Year 2001-2002.

Item 4. File 02-0195: Ordinance amending Ordinance No. 171-01 (Annual Salary Ordinance FY 2001-2002) reflecting the creation of two new positions for the Emergency Communications Department.

Amount: $2,002,706

Source of Funds: Emergency Response Fee Revenues (See Item 2, File 02-0193), listed as the 911 Access Fee in File 02-0194.

Proposed Budget: This supplemental request of the ECD totaling $2,002,706 would be expended as follows:

	Amount
Permanent Salaries	$81,715
Permanent Salaries – New Positions	21,337
Premium Pay	79,170
Retroactive Pay	23,342
Overtime	775,178
Holiday Pay	30,592
Fringe Benefits	320,167
Subtotal Personnel	$1,331,501
Software	671,205
Total	$2,002,706

According to Ms. Anne Okubo of the ECD, of the requested $2,002,706, $1,182,706 would be expended for the civilianization plan for the Fire/EMS communications functions and $820,000 would be expended for a projected

FY 2001-2002 shortfall in ECD's salaries, overtime and fringe benefit accounts.

Description: Item 3, File 02-0194: The following Table presents an updated FY 2001-2002 budget projection for ECD's Salaries, Overtime and Fringe Benefits Accounts based on actual expenditures through the pay period ending March 15, 2002:

Controller's Projection – Emergency Communications Department General Fund Expenditures for Overtime Only and Total Salaries and Fringe Benefits, including Overtime, through June 30, 2002.

	FY 2001-2002 Revised Budget	Actual Expenditures Through Pay Period Ending 3/15/2002	Projected Expenditures Through June 30, 2002*	Projected Surplus (Deficit)
Overtime	$405,000	$688,846	$888,651	($483,651)
Total Salaries and Fringe Benefits, including Overtime	$13,233,667	$9,707,394	$13,392,227	($158,560)

*Projections based on pay period ending 3/15/2002, projected for the remainder of the Fiscal Year.

As summarized in the table above, the Controller's projection report for Salary and Fringe Benefit expenditures, including Overtime, shows that:

- Based on actual Overtime expenditures incurred in the pay period ending March 15, 2002, the Controller's Office projects that the ECD will spend a total of $888,651 on Overtime, or $483,651 in excess of its total Overtime appropriation of $405,000.
- For all General Fund Salaries and Fringe Benefit expenditures, including Overtime, the Controller projects that the ECD will incur total expenditures of $13,392,227, or $158,560 in excess of its total General Fund Salaries and Fringe Benefits appropriation of $13,233,667.
- Based on actual Salaries, including Overtime, and Fringe Benefits incurred as of the pay period ending March 15, 2002, the Controller's Office does not project

that the ECD will incur a deficit of $820,000 in Salaries and Fringe Benefits for FY 2001-2002, but rather projects a General Fund deficit of $158,560, or $661,440 less than the ECD's request of $820,000.

The Budget Analyst concurs with the Controller's projections based on Overtime and total Salary and Fringe Benefit spending for the ECD through March 15, 2002.

ECD has requested $1,182,706 from April 12, 2002 through June 30, 2001 for implementation of the civilianization plan of the Fire/EMS communications as follows:

	FTE	Rate	Pay Periods	Amount
1232 Training Officers	2	$2,258	5.5	$24,838
Fringe Benefits for Training Officers				6,210
New Trainee Dispatchers	20	1,814	5.5	199,540
Fringe Benefits for Trainee Dispatchers				49,885
Attrition Savings for Trainee Dispatchers	2	(1,814)	2.75	(9,977)
Fringe Benefits for Attrition Savings				(2,494)
Temporary Background Investigators	1.2	2,215	5.5	14,619
Fringe Benefits for Background Investigators				3,655
Overtime for Agency Specific Training (see Comment No. 5)	130	2,310	0.6	180,180
Fringe Benefits for Overtime Training				45,045
"Watch Command" Software				27,642*
"Medical Priority" Software				643,563*
Total				$1,182,706

*Total of $671,205.

The two 1232 Training Officer positions would conduct training for new Trainee Dispatchers as part of the civilianization plan. Temporary salaries for two (1.2 FTEs) part-time temporary Background Investigators would be expended to conduct background investigations for new Trainee Dispatchers, according to Ms. Okubo.

Ms. Okubo reports that ECD is requesting a total of $671,205 for computer software, including $27,642 for

"Watch Command," a quality monitoring software program to be used at the 911 Emergency Communications Center at Turk and Gough Streets and $643,563 for "Medical Priority," a software package which standardizes Fire and Emergency Medical Services operations at the Emergency Communications Center in order to implement the civilianization plan. Attachment I is a memorandum from Ms. Okubo describing the purpose of the Watch Command and Medical Priority software. Ms. Okubo advises that the total cost of the Medical Priority software is $858,885: ECD's FY 2001-2002 budget included $215,322 for a portion of the cost of the Medical Priority software. According to Ms. Okubo the $643,563 was not included in the FY 2001-2002 budget because ECD had planned to phase in the implementation of the software over FY 2001-2002 and FY 2002-2003. Ms. Okubo advises that ECD is now requesting the additional $643,563 in order to install the software at all workstations at the 911 Emergency Communications Center at this time. Ms. Okubo advises that the software programs are necessary for the civilianization plan because they provide protocols which enable civilians to answer fire and emergency medical calls and monitor the dispatchers' performance.

According to Ms. Okubo, ECD has received a sole source waiver from the Civil Service Commission for Medical Priority software, which provides scripted protocols for emergency medical services and fire emergency calls, because Medical Priority is the only vendor of appropriate software. Also, this software was recommended by the Budget Analyst's Management Audit of the Fire Department (see Comment No. 1). In addition, Ms. Okubo advises, the ECD has received a bid of $27,642 for the quality assurance software, Watch Command, for total requested software expenditures of $671,205. Ms. Okubo further advises that ECD is currently soliciting competitive bids for software comparable for the Watch Command software to determine if alternative firms are available.

Item 4, File 02-0195: Under this proposed amendment to the Annual Salary Ordinance, two 1232 Training Officer positions would be created to conduct training for future classes of civilian Trainee Dispatchers as part of the civilianization plan. As stated above, the ECD is requesting the two 1232 Training Officer positions to train new civilian dispatchers as part of the civilianization plan. Under the requested supplemental appropriation, the two new 1232 Training Officers would cost $24,838 for salaries and $6,210 for fringes for 5.5 pay periods. The following table summarizes the Biweekly and Annual cost of these two new positions:

No. of FTE Positions	Classification	Title	Step 1 (Biweekly-Annual)	Step 5 (Biweekly-Annual)
2.0	1232	Training Officer	$2,048 $53,248	$2,490 $64,740

The annual cost of the requested two positions would range from $133,120 at Step 1, including salaries of $106,496 and fringe benefits of $26,624, to $161,850 at Step 5, including salaries of $129,480 and fringe benefits of $32,370.

The ECD currently has one full-time 1232 Training Officer position that is vacant. Attachment II, provided by ECD provides further explanation of the Department's request for two new 1232 Training Officer positions.

Comments:

1. The Budget Analyst's Management Audit of the Fire Department, issued in January of 2002 recommended that the Mayor and Board of Supervisors allocate funding for the implementation of the civilianization plan for the Fire/EMS Communication Function. The Audit also recommended that the Medical Priority medical and fire emergency protocol software program be purchased in order to improve this function because it is a comprehensive system which minimizes dispatcher discretion and error. The Budget Analyst found that, after incurring one time costs for the acquisition of the new software, and after hiring and training civilian personnel, estimated annual savings of $2,000,000 would

be realized by the civilianization of the Fire/EMS Communication Function in the ECD and that the Fire Department would have additional savings in Overtime as Firefighters would be transferred from dispatch duties to fire suppression and emergency medical service duties.

2. Ms. Okubo reports that ECD's plan for civilianization includes conducting additional Dispatcher Academy classes for 20 trainees, three times per year, which would occur over a two year period (beginning in October, February, and June of each year), until 54 new FTE civilian Emergency Communication Dispatchers are fully trained to replace 54 existing uniform Dispatchers. Ms. Okubo reports that ECD intends to begin the first training class in May of 2002 and hold the second class in October of 2002. According to Ms. Okubo, because the attrition rate for training classes is an estimated 50 percent, ECD anticipates conducting six classes of 20 trainees, or 120 trainees, in order to fully train at least 54 civilian Emergency Communication Dispatchers. Ms. Okubo reports that the ECD graduated one class of 11 new civilian Emergency Communication Dispatchers in FY 2001-2002.

3. As stated above, File 02-0195 provides for the creation of two new 1232 Training Officer positions in ECD. Ms. Okubo reports that ECD currently has one vacant 1232 Training Officer position. According to Ms. Okubo, the ECD will only fill two 1232 Training Officer positions. The Budget Analyst therefore recommends that File 02-0195 be amended to delete one 1232 Training Officer position instead of the two new positions requested. However, the deletion of this proposed new position would not result in reduced expenditures because the current salaries and fringe benefits deficit for ECD of $158,560 assumes that the existing vacant 1232 Training Officer position will remain vacant for the remainder of FY 2001-2002. The Budget Analyst instead recommends that the existing vacant position be filled in lieu of creating the new position.

4. As noted above, the requested supplemental appropriation includes $1,182,706 for the civilianization

plan. Ms. Okubo advises that the $1,182,706 request was based on funding salaries and fringe benefits for two new Training Officers, 1.2 temporary, part-time Background Investigators and 20 Trainee Dispatchers for 5.5 pay periods. The Budget Analyst notes that as of April 10, 2002, there are 5.5 pay periods remaining in the fiscal year. Ms. Okubo reports that ECD expects to begin a training class no earlier than May 13, 2002, but Ms. Okubo cannot provide the exact date at this time. If the new class begins by May 13, 2002, there will be 3.5 pay periods, rather than the 5.5 pay periods, remaining in FY 2001-2002. The Budget Analyst therefore recommends reducing the requested amounts for the civilianization plan to reflect 3.5 pay periods, as discussed below for a savings of $104,100 in salaries and fringe benefits. Attachment II, provided by ECD states that the Department expects to begin a training class for civilian dispatchers in May 2002.

5. As shown above, the ECD has requested $180,180 for Overtime and $45,045 for Fringe Benefits, for a total of $225,225 for agency specific training for existing civilian Emergency Communication Dispatchers. Ms. Okubo advises that the ECD began the introductory training on Fire and EMS calls and dispatching on March 30, 2002 and will complete 14 training sessions by June 30, 2002 at a total cost of $173,250. The Budget Analyst recommends reducing Overtime to reflect the correct number of training sessions for a reduction of $6,930, from $180,180 to $173,250. The ECD has requested Fringe Benefits at 25 percent of the Overtime costs or $45,045. Fringe Benefits for Overtime should be budgeted at 7.65 percent, and not 25 percent, of $173,250, or $13,254. Therefore, the Budget Analyst recommends reducing the Fringe Benefits to reflect the correct Fringe Benefit percentage for a reduction of $31,791, from $45,045 to $13,254.

6. In summary, the Budget Analyst recommends reductions totaling $804,261 as follows:

- a reduction of $661,440 from $820,000 to $158,560, to reflect the Controller's projections of a reduced deficit in ECD's salaries, including overtime and fringe benefits;

- a reduction of $104,100 (Comment No. 4) in salaries and fringe benefits to reflect reducing the budgeted 5.5 pay periods to 3.5 pay periods;
- a reduction of $6,930 (Comment No. 5) in Overtime to reflect the correct number of training sessions; and
- a reduction of $31,791 (Comment No. 5) in Fringe Benefits to reflect the correct level of Fringe Benefits for Overtime training.

7. According to Ms. Pamela Levin of the Controller's Office, the ECD will have a $145,586 deficit in non-salary General Fund expenditures for FY 2001-2002. Ms. Okubo reports that the ECD did not request the $145,586 because the Department did not anticipate expenditure increases for Workers' Compensation, City Attorney services and DTIS services. The Budget Analyst recommends applying $145,586 of the recommended reductions to Services of Other Departments for the ECD to cover the expected deficit in expenditures for Workers' Compensation, City Attorney services and DTIS services. This would reduce total recommended savings from $804,261 to $658,675.

8. The Budget Analyst therefore recommends amending the supplemental appropriation ordinance to reduce the amount appropriated by a total of $804,261 and to increase Services of Other Departments by $145,586 for Workers' Compensation, City Attorney services and DTIS services, resulting in a net decrease of $658,675, from the total request of $2,002,706 to $1,344,031.

9. The recommendations below adjust the specific appropriations to expenditure objects in the proposed supplemental appropriation ordinance to obtain a net reduction of $658,675.

Recommendations: Item 3, File 02-0194

1. Amend the proposed ordinance to reduce the total requested supplemental appropriation by a net amount of $658,675 from $2,002,706 to $1,344,031 (line 24, page 1).

2. Further amend the proposed ordinance for specific expenditure objects as follows:

	From	To	Reductions
Permanent Salaries (line 14, page 2)	$81,715	($280,533)	$362,248
Premium Pay (line 16, page 2)	79,170	42,561	36,609
Retroactive Salaries (line18, page 2)	23,342	34,632	(11,290)
Overtime (line 20, page 2)	775,178	656,901	118,277
Holiday Pay (line 22, page2)	30,592	33,014	(2,422)
Mandatory Fringe (line 24, page 2)	310,302	27,398	282,904
Permanent Salaries (line 8, page 3)	21,337	6,989	14,348
Mandatory Fringe (line10, page 3)	9,865	6,278	3,587
Software	671,205	671,205	0
Services of Other Departments	0	145,586	(145,586)
Total Reductions	$2,002,706	$1,344,031	$658,675

3. Amend the proposed ordinance to include an increased appropriation in the amount of $145,586 for Object 081, Services of Other Departments for Workers' Compensation, City Attorney services and DTIS services as discussed in Comment No. 8, above.

4. Approval of the proposed ordinance as amended in the reduced amount of $1,344,031, is a policy matter for the Board of Supervisors.

Item 4, File 02-0195

5. Amend the proposed ordinance (Annual Salary Ordinance) by reducing the number of new positions from two 1232 Training Officer positions to one 1232 Training Officer position (line 17, page 1) as discussed in Comment No. 3 above.

6. Approval of the proposed ordinance as amended, is a policy matter for the Board of Supervisors.

Attachment I
Emergency Communications Department
1011 Turk Street, San Francisco, CA 94102
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

MEMORANDUM

TO: **Harvey Rose**
Budget Analyst

FROM: **Anne Okubo**
Director of Finance and Administration

DATE: **April 18, 2002**

RE: **Supplemental - Software**

Below is information on software included in the supplemental appropriation request.

Medical Priority Dispatch Software
The Emergency Communications Department is requesting $643,563 in a supplemental appropriation to purchase Medical Priority Dispatch software. This software provides standardized protocols for Fire and EMS dispatch. ECD has received approval from the Civil Service Commission on February 4, 2002 for a sole source waiver to purchase this software from the vendor, Medical Priority Consultants.

The cost for the Medical Priority Dispatch software is $858,885. ECD has an appropriation of $215,322 in the current year budget. This amount of $215,322 added to the $643,563 included in the supplemental appropriation request will be used to purchase this software.

Watch Command
The Emergency Communications Department is requesting $27,642 in a supplemental appropriation to purchase Watch Command software. This software is used for quality assurance.

This budget was included in the supplemental appropriation based on a quote for Watch Command software. The vendor for Watch Command software was believed to be a sole source vendor. However, ECD has recently learned of another quality assurance software and has obtained a quote of $18,020. This vendor will be demonstrating the software to ECD staff today. ECD has also called a third vendor of quality assurance software and has obtained a very preliminary quote of $36,000.

At this time, it appears that the vendor for Watch Command software may not be a sole source vendor. However, until the two additional software products are fully reviewed and evaluated by ECD staff to determine if they are comparable products, the vendor status as a sole source provider is uncertain.

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Emergency Communications Department
1011 Turk Street, San Francisco, CA 94102
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

MEMORANDUM

TO: Harvey Rose
Budget Analyst

FROM: Anne Okubo
Director of Finance and Administration

DATE: April 3, 2002

RE: **Supplemental Appropriation for Civilianization**

Below is information you requested on the Emergency Communications Department request for a supplemental appropriation to fund the civilianization of Fire/EMS dispatch operations.

Training Officers
The Emergency Communications Department is requesting two class 1232 Training Officers in the supplemental appropriation. The training officers will be responsible for preparation and instruction for the new dispatch academy classes and State-mandated POST training and certification for dispatchers. Training officers will also be responsible for developing a new curriculum that will train civilian personnel in Fire/EMS call taking and dispatch. If approved, ECD will implement a plan to hire civilian dispatchers over the next several years to replace 54 Fire/EMS uniformed personnel that currently operate Fire/EMS dispatch. Two training officers will be needed on a permanent basis to train new dispatchers.

Currently ECD has one vacant 1232 position but does not have sufficient funding in the current fiscal year to fill this vacancy.

Recruitment
ECD has completed screening and background checks and now has 24 potential dispatch candidates available for the next dispatch academy class. ECD expects to begin the next dispatch academy class on May 13 at the earliest, if the supplemental appropriation is approved.

Fall Training Class
ECD did not hold a dispatch class in the fall of 2001 as previously planned. This is because a significant salary deficit was projected for the current fiscal year.

If you have any questions, please call me at 558-3866.

cc: Thera Bradshaw

Item 5 - File 02-0535

Department: Department of Human Resources (DHR)

Item: Ordinance fixing compensation levels for employees whose compensation is subject to the provisions of Section A8.409 of the Charter, in job classifications not represented by an employee organization, and establishing working schedules and conditions of employment and methods of payment for FY 2002-2003.

Description: The proposed ordinance would fix compensation levels and establish working schedules and conditions of employment for 59 classifications identified in Attachment I, consisting of a total of 137 employees not represented by an employee organization. Of these 137 employees, 31 are management employees designated as Z-class employees[1] and 106 are non-management employees. Such compensation levels, working schedules, and conditions of employment are set by ordinance annually for unrepresented employees. The proposed ordinance is for the one-year period of July 1, 2002 through June 30, 2003.

The major changes in the proposed ordinance from FY 2001-2002 are as follows:

Wage Rates

The proposed ordinance would provide wage increases totaling 5% over the one-year period to all covered employees as follows:

Effective Date	*Percent Increase*
July 1, 2002	2.5 percent
January 4, 2003	2.5 percent
Total	5.0 percent

According to Ms. Alice Villagomez of DHR, the proposed 5 percent wage increase is identical to the wage increase for miscellaneous employees covered by the Memorandum of

[1] Z-class employees are executive, administrative, and professional employees that are exempt from overtime requirements under the Federal Fair Labor Standards Act (FLSA). Under the terms of the existing Compensation Ordinance for unrepresented employees, Z-class employees receive compensatory time off at the rate of one hour for each hour worked in excess of 40 hours per week.

Understanding (MOU) between the City and the Municipal Executives Association (MEA) previously approved by the Board of Supervisors.

Internal Wage Adjustments

In addition to the total increase of five percent for all employees in FY 2002-2003, Class 1283 Director, Employee Relations Division[2] would receive an internal wage adjustment, effective July 1, 2002, as follows:

Classification		Number of Positions in Class	Proposed Internal Wage Adjustment, effective July 1, 2002	Annual Salary Rate per Position at Step Five (including 2.5 percent wage increase and not including Internal Wage Adjustment), effective July 1, 2002[3]	Annual Salary Rate per Position at Step Five, including Proposed Internal Wage Adjustment, effective July 1, 2002
1283	Director, Employee Relations Division	1	5%	$124,399	$130,619
AB44	Confidential Chief Attorney II	4	10.8%	$154,576	$171,270

According to Ms. Alice Villagomez of DHR, in March of 2002, the DHR conducted a market wage study of Labor Relations Directors for the City of San Jose, the City of Fremont, the City of Oakland, Alameda County, Los Angeles County, San Diego County and Santa Clara County, as shown in Attachment III. DHR found that the salary for the 1283 Director, Employee Relations Division was 12 percent below the average of the surveyed cities and counties. Ms. Villagomez reports that the subject MOU, which includes a 7.5 total increase effective July 1, 2002 (2.5 percent wage increase, plus 5.0 percent internal wage adjustment) and a 2.5 increase effective January 4, 2003, for a total increase of 10 percent, would provide greater market parity for the Director, Employee Relations Division.

[2] The Employees Relations Division is a division of the Department of Human Resources.

[3] Employees covered by the proposed ordinance would receive a 2.5 percent wage increase on July 1, 2002. The total wage increase in FY 2002-2003 is 5.0 percent, including 2.5 percent on July 1, 2002, and 2.5 percent on January 4, 2003,.

Additionally, the proposed ordinance would adjust the salary of the four AB44 Confidential Chief Attorney IIs to be 5 percent above the 8193 Chief Attorney I salary of $163,164. According to Ms. Villagomez, class 8193 received a 7.5 percent internal wage adjustment in the MOU between the City and the Municipal Attorney's Association (MAA) previously approved by the Board of Supervisors, resulting in class 8193 receiving a higher rate of pay than the supervisory Confidential Chief Attorney II class.[4]

Severance Pay for Management Employees

The existing compensation ordinance for unrepresented employees does not provide for severance pay. The proposed ordinance contains a new provision for severance pay for management employees as follows:

- When a management employee covered by the ordinance is involuntarily removed or released from employment, such as a layoff, the employee receives 30 days notice prior to the final day of work, during which time they work their regularly scheduled days and receive their regular pay. If the management employee receives less than 30 days notice, the employee will be paid severance pay for the difference. For example, if the employee receives 15 calendar days notice prior to the final day of work, the employee will work their regularly scheduled days for 15 days and receive their regular rate of pay for the days worked. In addition, the employee would receive 15 days severance pay, totaling 30 calendar days.
- In addition to the above, when a management employee with 10 years or more service to the City is involuntarily removed or released from employment, the employee shall receive one month's severance pay in exchange for a written agreement to not file any claims against the City arising under the proposed ordinance, including a waiver of any rights the employee has to return to City employment.
- Under the Civil Service rules, a management employee who is involuntarily released from his or her position

[4] The annual Step 5 rate of pay for class 8193 Chief Attorney I, effective July 1, 2002, is $163,164, which is 5.6 percent greater than the Step 5 rate of pay for class AB44 Confidential Chief Attorney II, effective July 1, 2002, of $154,576.

(such as a layoff) may have the right to return to a permanent position that he or she had held previously. Under the proposed ordinance, if the employee elects to separate from City Service instead of returning to a previously held permanent position, the employee would receive one month's severance pay in exchange for a written agreement to release any claims against the City, including a waiver of any rights the employee has to return to City employment.[5]

Ms. Villagomez reports that the proposed severance pay provisions for unrepresented management employees are identical to the severance pay provisions for the MEA MOU for comparable management positions. Ms. Villagomez notes that the severance pay provision would apply only to the 31 management employees covered by the proposed ordinance. As noted in Attachment II, provided by the Controller's Office, the Controller is unable to make a cost estimate of the proposed severance pay provision because the number of employees who will qualify for severance pay is unknown.

According to Ms. Villagomez, by requiring an employee to waive all claims against the City in exchange for receiving severance pay, this provision would protect the City from lawsuits arising from the involuntary release or removal from City employment of an employee covered under the subject ordinance. Ms. Villagomez states, however, this release would not affect claims or rights which the employee may have independent of the subject ordinance, such as those covered by State or Federal law.

Ms. Villagomez also states that requiring an individual employee to waive the right to return to City employment allows the City greater flexibility when filling a vacant management position.

Call Back Provision

Under the existing ordinance, when a covered employee is called back to their work locations after completing the

[5] Under this provision, employees who are terminated involuntarily and who sign a written agreement to release claims against the City would receive one month's pay. As noted above, such employees would receive additional pay of up to 30 days, if the City gives less than 30 days notice prior to the last day of work.

workday, the employee is paid for hours actually worked. The proposed ordinance would modify the existing call back provision by guaranteeing a minimum of four hours pay to covered employees called back to work. The Budget Analyst notes that under this proposal, employees who work less than four hours would receive a minimum of four hours pay, resulting in undetermined increased costs to the City. Management employees and employees who are on stand-by or who work at remote locations where City housing is supplied would not be covered by this call back provision.

Health and Welfare and Dental Coverage

The existing ordinance contains language that requires employees, who are covered under the City's health care coverage but who are not in active service for more than 12 weeks, to pay the Health Service System for the full premium cost of membership in the Health Service System. The proposed ordinance deletes this provision. Ms. Villagomez notes that this provision was deleted because it is already included in Administrative Code Section 16.701. According to Ms. Villagomez, deletion of this provision from the proposed ordinance would not result in increased costs to the City because this provision is included in the Administrative Code and employees would continue to pay the full health care coverage premium after 12 weeks of inactive service.

Tuition Reimbursement

Under the proposed ordinance, the annual tuition reimbursement for classes which enhance an employee's work skills would increase from $500 a year to $700 a year, an increase of $200 or 40 percent. The total allocation for the Tuition Reimbursement Program of $10,000 for unrepresented employees would remain unchanged from the previous ordinance and all tuition reimbursement funds are subject to Board of Supervisors appropriation approval.

Special Educational Leave for Supervising Clinical Psychologists

The proposed ordinance contains a new provision granting special educational leave for Supervising Clinical Psychologists. Under the proposed ordinance, each

regular full time or part time 2576 Supervising Clinical Psychologist, excluding as-needed employees, would be allowed the required number of hours of educational leave with pay for re-licensure to attend formally organized courses, institutes, workshops or classes to fulfill re-licensure requirements. Ms. Villagomez reports that clinical psychologists require 32 hours of such training biannually to meet re-licensure requirements. According to Attachment II, the Controller has not estimated a cost for this provision at this time.

Pilot Wellness Program

The proposed ordinance contains new language establishing a pilot wellness program as an incentive to decrease the use of sick leave. Under the pilot wellness program, the employee would be able to receive a cash payment upon retirement for unused sick leave, based upon the employee's salary rate and years of service. The program enables covered employees to receive 2.5 percent of accrued sick leave credits times the number of whole years of continuous years of service times the employee's salary rate upon retirement. Under the proposed ordinance, the employee could not receive more than 1,040 hours in such sick leave credits.

Comment: As shown in the attached memorandum (Attachment II) provided by Ms. Pamela Levin of the Controller's Office, implementing the proposed ordinance would result in total estimated additional costs of $678,466 to the City in FY 2002-2003. The Budget Analyst concurs with the Controller's cost estimate. However, it should be noted that the proposed ordinance would result in unknown increased costs for severance pay, call back pay, and special education leave for Supervising Clinical Psychologists.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
President Ammiano
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

ATTACHMENT A

001 = Miscellaneous Unrepresented Jobcodes

002 = Management Unrepresented Jobcodes

1130	Youth Comm Advisor, Bd of Sprv	001
1229	Special Examiner	001
1437	Shelter Office Asst Supv	001
1766	Media Production Tech	001
1767	1767 Media Programming Spec	001
1769	Media Production Supv	001
1942	Asst Materials Coordinator	001
2325	Nurse Midwife	001
2561	Optometrist	001
2576	Sprv Clincal Psychologist	001
2782	Laundry Superintendent	001
3238	Dance Instructor	001
3246	Pianist	001
3248	Technical Inst.Assist.-Pianist	001
3376	Animal Care Asst Supv	001
3378	Field Svcs Asst Supv	001
3438	Tree Topper Supervisor 2	001
3650	Medical Records Librarian	001
5502	Project Manager 1	001
5504	Project Manager 2	001
5506	Project Manager 3	001
5640	Environmental Spec	001
5642	Sr. Environmental Spec	001
8168	Parking Hearing Supervisor	001
8222	Housing Authority Police Ofc	001
8247	Emergency Planning Coordinator	001
8263	Crime Lab Mgr	001
8282	Sr Environ Control Off	001
8446	Court Alternative Specialist 1	001
9914	Public Service Aide-Admin	001
9916	Public Svc Aide-Public Works	001
9920	Publ Svc Aide-Asst to Prof	001
9922	PS Aide to Prof	001
AB27	Sctry. Comm on the Environment	001
AC24	Secretary to Port Commission	001
AC28	Chief Forensic Pathologist	001
AC34	Project Analyst	001
AC35	Bd/Comm Secretary 3	001
1156	Director of Environment	002
1283	Dir Emp Relations Div	002
1293	Human Resources Director	002

<u>*1849*</u>	<u>*Prog Mgr. Bus & Econ Develop*</u>	<u>*002*</u>
<u>*2142*</u>	<u>*Reimbursement Mgr. CHN*</u>	<u>*002*</u>
<u>*2953*</u>	<u>*Chief Deputy Director. DHS*</u>	<u>*002*</u>
<u>*2978*</u>	<u>*Contract Compliance Officer 2*</u>	<u>*002*</u>
<u>*3234*</u>	<u>*Marina Manager*</u>	<u>*002*</u>
<u>*5508*</u>	<u>*Project Manager 4*</u>	<u>*002*</u>
<u>*8137*</u>	<u>*Chf Victim/Witness Invstgtor*</u>	<u>*002*</u>
<u>*8232*</u>	<u>*Dir of Museum Security Svcs*</u>	<u>*002*</u>
<u>*9251*</u>	<u>*Public Relations Mgr*</u>	<u>*002*</u>
<u>*A006*</u>	<u>*Parking Bureau Chief*</u>	<u>*002*</u>
<u>*AB44*</u>	<u>*Cfdntal Chf Atty 2,(Cvl&Crmnl)*</u>	<u>*002*</u>
<u>*AC27*</u>	<u>*Dir. of Airfield Development*</u>	<u>*002*</u>
<u>*AC30*</u>	<u>*Dir of Museum Security Svcs*</u>	<u>*002*</u>
<u>*AC33*</u>	<u>*Ethics Comm Executive Director*</u>	<u>*002*</u>
<u>*AC36*</u>	<u>*Deputy Director Admin Svcs*</u>	<u>*002*</u>
<u>*AC37*</u>	<u>*Principal Area Manager*</u>	<u>*002*</u>
<u>*AC38*</u>	<u>*Assistant Superintendent, Rec*</u>	<u>*002*</u>
<u>*AC39*</u>	<u>*Manager, Marina Operations*</u>	<u>*002*</u>

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTRC

Edward Ha
Cc

April 11, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 020535
Ordinance Fixing Compensation for Unrepresented Employees for the Period July 1, 2002 through June 30, 2003

Dear Ms. Young,

In accordance with Ordinance 92-94, I am submitting a cost analysis of the Ordinance Fixing Compensation for Unrepresented Employees. The Ordinance covers the period of July 1, 2002 through June 30, 2003, and affects 133 budgeted positions with an overall pay and benefits base of approximately $10.5 million and a salary base of approximately $9.1 million.

Based on our analysis, the Ordinance will result in incremental costs of approximately $678,000 in FY 2002-2003. The Ordinance will result in cost increases of approximately 6.5% above the overall pay and benefits base (approximately 7.5% above base salaries) in FY 2002-2003. Please see Attachment A for specific cost estimates.

In addition to the wage and benefit provisions in Attachment A, the Ordinance provides for special educational leave for jobcode 2576 Supervising Clinical Psychologist. This provision may result in overtime costs for those employees who are backfilled and in lost productivity for non-backfilled employees; however, we have not estimated a cost for this provision at this time. Also, the Ordinance provides for a one-month severance pay as a result of an involuntary separation or a change of status from exempt to permanent status for management unrepresented employees with exempt status. Since it is unknown how many employees will qualify for this pay, we do not have an estimate cost at this time. In addition, if the City chooses to make Cesar Chavez day a paid holiday during the upcoming fiscal year, there may be additional overtime and lost productivity costs for the unrepresented employees.

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A
Unrepresented Employees
Estimated Costs FY 2002-2003
Controller's Office

<u>Annual Costs/(Savings)</u>	<u>FY 2002-2003</u>
Wage Increase	
2.5% on July 1, 2002, 2.5% on January 4, 2003	$431,559
Wage Adjustments	
<u>Jobcode 1283 Director, Employee Relations Division</u> 5% Increase effective 7/1/02	6,298
<u>Special wage differential - AB44 (5% above 8193)</u> Jobcode AB44 Confidential Chief Attorney II Jobcode 8193 Chief Attorney I (Civil and Criminal)	67,820
Pilot Wellness Program[1]	
2.5% of Accrued Sick Leave Effective July 1, 2002	95,673
Wage-Related Fringe Increases	77,116
Total Estimated Incremental Costs	$678,466
Incremental Cost % of 2001-2002 Total Pay & Benefits	6.5%
Incremental Cost % of Base Salary	7.5%

1 According to Controller's Office analysis, there are a total of 10 eligible retirees by the end of FY03. Our costing is based on the assumption that only 2 out of the 10 eligible employees will retire in FY03.

Labor Relations Director Survey
March 28, 2002

Agency	BW Max Salary	EPMC	Total
City of San Jose	6791	0.00%	6791
City of Fremont	4581	0.00%	4581
City of Oakland	4662	7.00%	4988
Alameda Co.	4628	0.00%	4628
LA Co.	5537	0.00%	5537
San Diego Co.	5360	9.50%	5869
Santa Clara Co.	5625	7.00%	6019
Average of Max Rates	5312		5488
San Francisco	4650	7.50%	4999
SF Compared to the Average	-12%		-9%